

# ECONOMIC BULLETIN FOR EUROPE

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## REVIEW OF THE ECONOMIC SITUATION IN EUROPE, JULY-SEPTEMBER 1950

### GENERAL SUMMARY

*IN the third quarter of 1950 there was a general expansion in European production and exports following the increase in world demand. The volume of European exports increased by a further 7 per cent over the second quarter, and reached a record level at 30 per cent above the 1938 volume. This expansion of exports was heavily concentrated on the United States and dollar earnings increased substantially. Imports, on the other hand, were exceptionally low during the quarter, and an increase in imports at the higher prices now prevailing must be expected if supplies of imported materials are to be maintained.*

*Industrial production in the third quarter declined by less than the normal seasonal contraction caused by summer holidays. Taking account of this factor, high rates of progress were recorded throughout both eastern and western Europe. The largest contribution to the increase in European output occurred in western Germany. The industries in which there were the greatest increases were engineering and chemicals, where the slowing-down in production in certain western European countries at the end of 1949 and early 1950 had been most pronounced. In agriculture, bad weather reduced the grain harvest below earlier expectations, and the total European crop remained some 7 per cent lower than the 1934-1938 average.*

*The maintenance of high rates of increase in production was threatened, particularly towards the end of the quarter, by the failure of European coal production to increase in step with requirements and by the difficulty of obtaining supplies of certain imported materials. In world markets there was a very sharp rise in the prices of primary products, particularly industrial materials. Although the higher prices were only partially reflected in the cost of imported goods during the quarter, the rise in price levels and the expectation of further increases brought renewed pressure on wages. In most countries, new measures were taken to limit effective demand, and in several instances controls were re-introduced to conserve scarce materials for home use and to regulate their distribution.*

If it were not for the greatly increased tension in international relations and the mounting threat to normal economic activity, the results of the third quarter in European production and trade could be regarded as a new step forward and as further confirmation of Europe's capacity for economic progress. Industrial production, although reflecting the influence of summer holidays, declined less than is usual at this period and stood high above the level of a year ago. The progress in production was general and included countries hitherto falling behind. Many branches of production, including steel and electric power, reached new levels, after allowance for seasonal influences. Building activity was generally high and, especially in western Germany and Italy, appeared to provide an important stimulus to general economic

expansion. The dominant feature of the quarter was, however, the movement of trade. Contrary to the usual summer trend, exports expanded vigorously and established a new record, while imports fell off. Since the expansion of exports was largely to the United States, Europe's dollar position continued to improve.

Beneath these general results, however, were more disturbing developments. The decline in Europe's imports reflected a failure of some countries to provision themselves with raw materials now in short supply. Shortages of imported materials were aggravated by the failure of coal production within Europe to rise in step with industrial production, creating an energy shortage which, with the risk of a bad winter in prospect, could rapidly develop into a new fuel

crisis. Even the gains in exports were achieved in part at the expense of European supplies of essential materials, and it remained uncertain to what extent they constituted a permanent strengthening of Europe's position in foreign markets. The quarter also brought the prospect of new difficulties in Europe's overseas trade accounts as well as in internal economic stability arising from the continued rise in import prices.

### *The Level of Trade*

In the third quarter of 1950, the exports of European countries reached a record level. Although there is normally some slackening of trade in the summer months, the volume of exports, including both sales to overseas and to other European countries, expanded by 7 per cent from the second quarter and stood about 30 per cent above the 1938 level. This accelerated expansion of exports, which is shown in Table XVIII,<sup>1</sup> appears principally to reflect the expansion of demand in the United States and a few other countries where the increase in domestic activity in the spring and early summer, together with stockpiling operations, led to increased shipments from Europe. In contrast to this development of exports, the level of Europe's total imports, including purchases from both overseas and European countries, declined. Except in a limited number of countries, there was no evidence in the third quarter that the change in the tempo of economic activity and the expectation of rising armaments expenditure had led to any increase in imports.

As may be seen from Table 1, showing the trade of ten principal European countries and the United States with different areas, the general movement of Europe's trade during the quarter stands in direct contrast to, and for exports is indeed largely a corollary of, the movement of United States trade during the quarter. Whereas exports from European countries expanded and the imports of European countries declined, there was in the United States a further expansion of imports and contraction of exports. One consequence of these changes was a further reduction in the dollar gap in international payments.<sup>2</sup> In conformity with these general developments in trade, the expansion of Europe's exports was heavily concentrated on the United States, to which the value

of sales increased by nearly 50 per cent compared with the second quarter.<sup>3</sup> In other overseas areas and in intra-European trade, the rate of expansion was much lower.

While these changes in the volume of exports to different areas were typical of most European countries, there was a marked divergence in the development of their imports. The decline in the total level of European imports was the result of a large reduction in imports by France, the United Kingdom and a number of smaller countries. This more than outweighed an expansion in imports which occurred in a limited number of other countries, notably Germany and Switzerland.

The marked increase in the imports of Germany and Switzerland may be explained by the particular policies followed in these two countries. In Switzerland, a programme of strategic stockpiling was in force which led to a sharp increase in imports, particularly of foodstuffs and certain raw materials such as textile fibres and fuels. The increase in Switzerland's purchases affected trade with all areas, particularly the sterling area, with which Switzerland incurred a net payments deficit for the first time. In total, the volume of Swiss imports rose by more than 25 per cent and exceeded the pre-war level by 60 per cent. In Germany, the increase in imports was particularly concentrated on purchases from other European countries following the general easing of trade restrictions and the increase in domestic activity, and it led Germany to incur a substantial deficit with the European Payments Union, which is discussed later. In trade with overseas countries, the rise in German imports was small, and in certain commodities Germany's imports, like those of other countries, declined.

The decline in imports in France, the United Kingdom and other countries extended to a wide range of commodities. Amongst foodstuffs, imports of grain from overseas declined in most countries, including Germany, and imports of meat were further reduced, principally owing to the breakdown of British trade with Argentina. Amongst industrial materials, there was a considerable fall in imports of cotton and wool in several countries. The only commodities in which there was a significant increase in imports from overseas were petrol, imports of which continued their previous upward trend, and sugar, in which there appears to have been exceptional buying.

<sup>3</sup> Of the total increase in exports to the United States and Canada shown in Table 1, \$90 million was in exports to the United States and only some \$10 million in exports to Canada.

<sup>1</sup> See section "European Economic Statistics" below. All tables in that section are indicated by roman numerals.

<sup>2</sup> Data on the balance of payments of Europe and other areas with the United States are given in Table XVI. For an analysis of the development of Europe's balance of payments in the year since devaluation, see "Note on Recent Changes in Europe's Balance of Payments", page 91 below.

Table 1

# IMPORTS AND EXPORTS OF TEN EUROPEAN COUNTRIES AND THE UNITED STATES IN THE SECOND AND THIRD QUARTERS OF 1949 AND 1950

Millions of dollars in current prices and index numbers — 1938 = 100

Area of origin or destination	VALUES IN MILLIONS OF DOLLARS												Index numbers of volume							
	United States and Canada			Overseas sterling area			Other overseas countries			Europe										
	1949			1950			1949			1950										
	2nd qtr.	3rd qtr.	1949	2nd qtr.	3rd qtr.	1950	2nd qtr.	3rd qtr.	1949	2nd qtr.	3rd qtr.	1950								
	2nd qtr.	3rd qtr.	1949	2nd qtr.	3rd qtr.	1950	2nd qtr.	3rd qtr.	1949	2nd qtr.	3rd qtr.	1950								
IMPORTS																				
United Kingdom	443.4	447.6	267.8	246.8	310.5	743.3	640.4	592.8	420.4	384.6	407.6	355.8	617.4	674.1	537.0	556.9	88	91	94	77
France	198.4	142.8	104.8	86.1	129.3	121.1	102.3	107.5	333.1	282.2	334.1	278.3	235.3	228.6	232.4	182.5	107	98	107	89
Netherlands	92.2	68.5	72.5	60.8	30.1	19.4	50.8	44.8	94.8	101.6	105.0	110.6	277.7	270.0	304.3	292.8	93	90	129	122
Belgium-Luxembourg	100.8	98.4	89.8	90.1	37.0	30.5	41.3	31.8	84.1	80.7	85.0	88.3	241.7	228.6	235.6	238.3	98	96	105	102
Switzerland	53.4	44.8	38.5	45.8	7.1	4.7	5.6	18.3	29.7	33.3	40.5	54.3	121.5	112.5	126.7	169.3	112	107	126	160
Italy	173.6	134.0	90.1	92.9	46.3	37.8	31.3	39.3	96.1	81.1	82.9	89.3	124.6	128.2	148.6	125.9	137	118	130	...
Denmark	42.1	28.9	14.9	23.3	2.5	3.1	4.3	3.4	13.8	10.6	10.6	12.2	166.5	151.1	160.8	192.8	113	98	125	135
Sweden	26.7	30.2	29.4	24.1	18.8	21.7	17.4	21.2	48.2	50.8	56.5	55.2	188.9	182.3	180.1	198.9	86	89	111	117
Norway	39.0	30.9	25.9	24.6	6.8	4.9	7.9	5.3	19.4	14.6	24.5	21.6	152.1	138.0	117.1	93.6	124	110	129	101
Germany: western zones <sup>a</sup>	210.0	188.2	92.7	103.7	47.5	42.9	67.6	66.5	92.0	83.3	95.1	118.7	203.4	206.9	273.0	381.0	80	79	81	102
Total of countries listed	1,379.6	1,214.3	826.4	798.2	1,135.9	1,029.4	968.9	930.9	1,231.6	1,122.8	1,241.8	1,184.3	2,329.1	2,320.3	2,315.6	2,432.0	94	92	103	97
United States <sup>b</sup>	381.7	347.0	478.0	501.9	242.5	159.2	289.3	314.7	753.4	762.2	872.4	1,196.1	2,231.0	208.4	288.2	372.9	140	136	165	186
EXPORTS																				
Total of countries listed	241.5	239.8	297.5	397.0	1,023.3	976.9	746.8	800.0	936.1	932.9	849.3	863.4	2,366.8	2,275.9	2,301.4	2,420.0	103	102	127	135
United States	571.4	474.9	531.1	506.1	323.4	242.8	201.9	157.0	1,221.0	1,088.4	976.6	1,163.2	1,214.9	875.6	799.7	619.1	225	185	180	171

The decline in imports, while partly due to seasonal factors and to specific trade and payments difficulties, is too general to be explained by these influences alone. The more general cause appears to have been the withholding of purchases owing to uncertainty as to the future course of the markets, while for certain commodities such as wool and some non-ferrous metals, shortages of supply had already developed during the quarter. The serious aspect of the problem is that the low level of imports, combined with the rising level of production appears, from the available evidence, to have caused some depletion of stocks of raw materials in the initial phases of a period of increasing world demand, rising prices and, for certain commodities, growing shortages.

#### *Exports to the United States*

The most significant improvement in Europe's trade position in the third quarter was undoubtedly the very sharp rise in exports to the United States. This was the result of the general increase in United States purchases, which extended to virtually all the principal European trading countries as well as to other parts of the world. As is shown in Table XIX, the United Kingdom, the most important European supplier to the United States market, increased the value of its exports by one-third. Exports from Germany, the Netherlands and Denmark doubled, and increases of the order of 50 per cent or more were recorded by France, Italy and Norway. Of the main European exporting countries, only Belgium, where internal political disturbances adversely affected trade, failed to show a substantial increase in sales to the United States.

Like the increase in its purchases from other areas, the rise in United States purchases from Europe was most pronounced in industrial materials and semi-manufactures, reflecting the upswing in industrial production and the acceleration of stockpiling in that country. This may be seen in Table 2, giving the commodity composition of exports to the United States by four of the principal European supplying countries. For these countries, exports of industrial materials and semi-manufactures (commodity groups 3 to 12) accounted for two-thirds of the total rise in the value of exports to the United States, increasing by more than 50 per cent compared with the second quarter of 1950 and by 100 per cent compared with the last quarter of 1949. This rapid rise was accounted for mainly by an expansion in the actual volume of

exports in these categories, the high prices prevailing by the end of the third quarter not being fully reflected in the value of exports for the period as a whole. Among the industrial materials and semi-manufactures figuring prominently in the increase in sales to the United States were wool from the United Kingdom, iron and steel from France and Germany, scrap from Germany, and non-ferrous metals from various sources, including particularly tin from the United Kingdom. As far as these products are concerned, the increases are likely to be temporary and would not, in themselves, justify optimism regarding future European sales in the American market. For most of them, particularly non-ferrous metals and textile fibres, Europe is traditionally an importer rather than an exporter, and all of them are now in short supply both in Europe and overseas. Indeed, in many countries, regulations have already been introduced to limit exports of raw materials and semi-manufactures in order to conserve them for home use. Moreover, some of the exports, notably steel, constitute only marginal supplies of products for which the United States is ordinarily self-sufficient.

Among finished manufactures, there was a fairly general increase in exports to the United States, including particularly vehicles and textiles from the United Kingdom and various other manufactured goods from western Germany. For the countries covered by Table 2, the value of exports of finished manufactures to the United States rose by about one-third compared with the second quarter and by more than 50 per cent compared with the last quarter of 1949. The increase was, in absolute terms, much less than that in industrial materials and to some extent may also reflect purely transitory conditions. It is, nevertheless, in finished products that the present level of demand in the United States might provide opportunity for a more lasting expansion of the market for European goods.

#### *The Expansion of Western Germany's Imports from European Countries*

In intra-European trade, the chief development during the third quarter was the expansion of western Germany's imports from other European countries accompanied by a heavy deficit in its accounts with the European Payments Union. Otherwise, the trade of European countries with one another showed few notable changes ; Switzerland's imports from



Table 2

**COMMODITY COMPOSITION OF EXPORTS TO THE UNITED STATES  
FROM FOUR EUROPEAN COUNTRIES**

*Millions of dollars in current prices, f.o.b.*

Commodity	United Kingdom				France				Belgium-Luxembourg				Germany <sup>a</sup>				Total			
	1949		1950		1949		1950		1949		1950		1949		1950		1949		1950	
	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
1. Beverages, including alcoholic	11.8	10.9	9.3	11.5	3.3	1.5	2.2	2.0	—	—	—	—	0.2	0.1	0.2	0.2	15.3	12.5	11.7	13.7
2. Food . . . . .	1.2	1.2	1.0	2.2	0.5	0.7	0.3	0.4	0.8	0.5	0.1	0.2	2.3	0.5	0.2	0.5	4.8	2.9	1.6	3.3
3. Textile raw materials . . . . .	6.0	4.3	4.7	9.9	0.9	0.6	0.6	0.8	6.0 <sup>b</sup>	9.3 <sup>b</sup>	6.7 <sup>b</sup>	6.1 <sup>b</sup>	0.1	0.2	0.3	0.5	13.0	14.4	12.3	17.3
4. Other raw materials . . . . .	1.6	3.3	2.3	1.8	0.9	1.1	1.0	3.3	0.5	0.5	0.5	0.6	0.5	1.0	0.7	1.7	3.5	5.9	4.5	7.4
5. Iron and steel . . . . .	0.5	0.5	1.2	1.6	—	0.1	1.7	4.7	1.3	3.3	6.1	4.7	0.1	0.5	2.2	6.3	1.9	4.4	11.2	17.3
6. Non-ferrous metals . . . . .	4.0	1.9	5.8	13.7	0.2	0.1	1.0	1.4	3.7	6.1	4.4	4.2	2.6	1.2	1.0	2.5	10.5	9.3	12.2	21.8
7. Scrap . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	1.3	0.7	0.1	2.1	1.3	0.7	0.1	2.1
8. Metal manufactures . . . . .	0.7	0.7	0.7	1.1	0.4	0.4	0.6	0.5	—	—	—	—	1.5	2.0	2.8	4.1	2.6	3.1	4.1	5.7
9. Chemicals . . . . .	1.9	1.9	1.7	5.7	1.0	0.6	0.7	1.6	1.0	0.5	0.8	1.2	1.1	2.6	1.6	2.9	5.0	5.6	4.8	11.4
10. Fertilizers . . . . .	—	—	—	—	—	0.3	0.4	—	0.1	1.2	0.2	0.3	0.1	0.1	0.1	0.1	0.2	1.6	0.7	0.4
11. Precious metals . . . . .	—	—	—	—	—	—	—	—	7.3	7.0	6.9	9.4	—	—	—	—	7.3	7.0	6.9	9.4
12. Yarns . . . . .	5.5	7.4	9.0	10.3	0.3	0.9	1.8	1.2	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	<sup>b</sup>	0.4	0.3	0.3	0.4	6.2	8.6	11.1	11.9
13. Textile manufactures . . . . .	5.6	7.5	6.4	9.0	3.3	4.9	4.5	5.3	0.7	0.5	0.6	0.6	0.2	0.5	1.1	1.0	9.8	13.4	12.6	15.9
14. Vehicles . . . . .	3.5	3.9	5.7	7.9	0.2	0.2	0.7	0.5	—	—	—	—	—	0.1	0.1	0.2	3.7	4.2	6.5	8.6
15. Machinery . . . . .	2.8	2.5	2.6	3.4	0.2	0.2	0.3	0.4	0.1	0.1	0.1	0.2	0.9	0.9	1.2	1.1	4.0	3.7	4.2	5.1
16. Other manufactures . . . . .	8.7	9.2	9.3	11.6	2.3	2.0	2.0	4.1	1.4	2.1	2.0	2.0	1.8	1.6	1.9	4.1	14.2	14.9	15.2	21.8
17. Miscellaneous . . . . .	2.5	1.3	1.4	1.7	2.0	2.2	2.3	3.2	—	—	—	—	—	—	—	—	4.5	3.5	3.7	4.9
Total exports . . . . .	56.3	56.5	61.1	91.4	15.5	15.8	20.1	29.4	22.9	31.1	28.4	29.5	13.1	12.3	13.8	27.7	107.8	115.7	123.4	178.0

Sources: The figures have been taken from the trade statistics of the countries shown.

NOTE. — Owing to differences in the details given in national trade statistics, the coverage of the figures on each commodity group for the different countries varies slightly. In some instances, certain

manufactured and semi-finished products are included with raw materials. For each country the figures are comparable, however, for all the periods shown.

<sup>a</sup> Three western zones of occupation.

<sup>b</sup> Yarns are included in textile raw materials.

European countries increased substantially, though somewhat less than its imports from overseas, while for a number of other countries, particularly France, imports from European countries, like imports from overseas, declined.

The increase in western Germany's imports from European countries from the second to the third quarter amounted to just over \$100 million, or one-third. This rise was partly the delayed effect of the rapid increase in domestic activity and demand that had begun earlier in the year, and partly the result of the liberalization of trade in western Europe and the freer import policy which western Germany in particular has followed in its trade with neighbouring countries. In addition, speculation against the possible revaluation of the pound sterling may also have tended to encourage purchases towards the end of the quarter, though this factor appears, as is shown later, to have manifested itself more in the movements of payments than in the recorded movements of trade during the quarter.

If the volume of western Germany's imports and exports shown in Table XVIII is compared with the movement of industrial production shown in Table I, it can be seen that, after rising in the last quarter of 1949, imports declined again in the first half of 1950, although there was simultaneously a sharp rise in exports and in industrial production. The increase

in imports in the third quarter thus undoubtedly reflects the sustained upward movement of activity over a considerable period.

As may be seen from Table 3, the further concentration of western Germany's imports on European sources is a continuation of a steady shift away from an abnormally high dependence on United States supplies in earlier post-war years. The diversion of purchases to Europe has been most pronounced in foodstuffs; and it was in this category of goods that there was the greatest increase in western Germany's imports from European sources. There was also a substantial increase in imports of raw materials, while in manufactures the increase in imports from European sources was smaller, but perhaps less subject to temporary influences.

Amongst the different European supplying countries, France had the greatest share in the increase in western Germany's imports from the second to the third quarter. Imports from this source increased by no less than \$26 million, or two-thirds, thus continuing at an accelerated rate the upward trend in evidence since the beginning of the year. This expansion extended to a wide range of commodities, including light industrial materials such as textile yarns, heavy industrial materials such as chemicals and fuels, and also foodstuffs. Of wheat alone, Germany obtained 100,000 tons from France during the quarter.

Table 3

DISTRIBUTION OF GERMAN IMPORTS BY SOURCES

Percentages

Area of origin and commodity group	1949	1950		
	Fourth quarter	First quarter	Second quarter	Third quarter
<i>Per cent of total imports from :</i>				
United States . . . . .	33	20	16	14
Other overseas countries . . . . .	24	26	32	29
Europe . . . . .	43	54	52	57
<i>Per cent of total imports of three groups of commodities obtained from Europe :</i>				
Foodstuffs . . . . .	38	53	52	57
Raw materials . . . . .	27	31	30	35
Manufactures . . . . .	73	81	80	81

Sources : The figures are derived from German trade statistics.

The other principal area of expansion was the Scandinavian countries, from which western Germany's imports increased by \$40 million, or some two-thirds, compared with the previous quarter. The increase in imports from this area consisted largely of foodstuffs, timber and wood products, and Swedish iron ore. The rise in timber and wood products marked the return of western Germany as a major importer, and the upturn in the third quarter was particularly pronounced owing to the concentration of timber shipments in the summer months.

Simultaneously with the rise in imports, there was a substantial though smaller increase in Germany's exports. In total, its exports to European countries, continuing the trend of previous months, rose by some \$50 million compared with the increase in imports of about \$100 million. As a result, there was a deterioration in Germany's balance on trade account with other European countries of approximately \$50 million. Almost the whole of this change occurred in trade with the western European countries belonging to the European Payments Union, there being little change in Germany's trade with eastern European countries. In trade with the overseas affiliated areas included in the E.P.U. system there was no substantial change in western Germany's deficit during the quarter; a deterioration in its trade balance with the dependent overseas territories, from which imports increased sharply, was partly offset by an improvement in its trade balance with the overseas sterling area, from which imports declined slightly.

In total, therefore, western Germany's balance on trade account with the countries belonging to the E.P.U. appears to have deteriorated by no more than some \$60 million. This is very much less than the deterioration of \$230 million in its clearing balance with these countries, which had registered a surplus of \$61 million in the second quarter of 1950 under the old Intra-European Payments Scheme, but shifted abruptly to a deficit of \$173 million in the third quarter under the new payments union.

The trade balance is, of course, merely the difference between the recorded value of imports and that of exports at the time of crossing the frontier, while the clearing account balance is determined by the actual flow of payments not only on trade account, but also for other purposes, and would reflect any changes that occurred in service or other invisible transactions. The deterioration in western Germany's position in the E.P.U. was, however, too great in relation to the change in the trade balance to be explained by ordinary influences. It appears rather that the relatively free granting of import licences and of credit, the change in the world markets, and, particularly towards the end of the quarter, speculation regarding the possible revaluation of sterling led to a sharp increase in German orders and advance payments for imports. At the same time, there may also have been some expansion in the export credits extended to buyers in other countries.

It is impossible to assess the role of these various factors in the difficulties experienced by western

Table 4

TRADE ACCOUNT AND CLEARING ACCOUNT BALANCES  
OF THE STERLING AREA WITH OTHER MEMBERS  
OF THE INTRA-EUROPEAN PAYMENTS SCHEME IN 1949

*Millions of dollars in current prices, f.o.b.*

Quarter	Imports (f.o.b.)	Exports (f.o.b.)	Trade balance	Clearing balance	Difference
I. . . . .	572.4	712.1	+ 139.7	+ 75.8	— 63.9
II. . . . .	657.5	697.7	+ 40.2	— 95.5	— 135.7
III. . . . .	667.2	630.2	— 37.0	— 404.7	— 367.7
IV. . . . .	452.7	531.3	+ 78.6	+ 121.4	+ 42.8

*Sources:* The data for trade between the overseas sterling area and the non-sterling member countries of the payments scheme are based on the trade statistics of the European countries, adjusted to an approximate f.o.b. basis.

Germany with the E.P.U. That purely speculative influences may account for large divergences between movements in the trade balances and the clearing balances is shown by the movement of the sterling accounts under the old Intra-European Payments Scheme in the period before and after devaluation. As may be seen in Table 4, the deterioration in the sterling area's balance of trade with the other members of the system from a surplus of \$140 million in the first quarter of 1949 to a deficit of nearly \$40 million in the third quarter of that year was accompanied by a very much greater deterioration in the clearing account balance. The difference between the movement of the two accounts, which is shown quarter by quarter in the right-hand column of Table 4, gives a rough indication of the effects of speculation—though the full influence of speculative factors is not shown since the effects of any postponement of actual shipments would be reflected in the trade balance itself.

The experience of the sterling area in this period suggests that in time western Germany's deficit with the E.P.U. can be expected to decline closer to the size of its trade balance as registered in the movement of imports and exports, especially since measures have been taken to tighten up credit and payments restrictions in western Germany.<sup>1</sup>

With considerable deficits largely concentrated on Germany and corresponding surpluses shared by the United Kingdom and France, the first few months of operation of the E.P.U. scheme showed much larger movements of the clearing balances than were expected. In fact, Germany virtually exhausted her E.P.U. quota in the course of the first four months. Contrary to expectations, however, the central gold holdings of the E.P.U. increased substantially; as a result of the concentration of the deficit on Germany and the fact that a large part of the surplus was earned by the United Kingdom against its heavy initial debit, the proportion of deficits covered by gold payments was much larger than the proportion of surpluses paid in gold. Following this strengthening of the central funds, the E.P.U. should now be in a stronger position to provide credits to cover the deficits incurred by some of the smaller countries which, though they did not develop as rapidly as western Germany's

deficit, may prove to be more persistent. In the face of the imminent danger of a complete exhaustion of the western German quota, the management board of E.P.U. granted an additional credit to western Germany in conjunction with certain recommendations on the tightening of bank credit in Germany. At the same time, it advised other European countries to facilitate imports from Germany. As a result of these measures and the return of a sellers' market, western Germany, with its productive capacity still not fully utilized, should be in a relatively strong trading position compared with other European countries.

There thus seems to be no definite reason to expect that the German deficit with the E.P.U. is the beginning of a continuing problem, although the general experience of the organization so far suggests that it may be subject to deficits and surpluses among the members on a scale sufficient to impair the automatic functioning of the scheme. The difficulty of achieving an approximate balance within the Union will tend to be greater if the introduction of additional defence expenditure increases the reluctance of deficit countries to make adjustments through general measures of monetary and credit restriction as distinguished from specific import controls which the plan aims to avoid. On the other hand, the general improvement in the dollar position of European countries, together with the increase in the central gold holdings at the disposal of the E.P.U., should make it easier to cover deficit positions and may thus diminish the necessity for maintaining, in the short run, a close balance in the clearing accounts.

### *Industrial Production*

Industrial production in Europe (excluding the Soviet Union) fell by about 2 per cent in the third quarter of 1950. This is less than the normal seasonal contraction caused by the holidays and, in comparison with the corresponding quarter of the previous year, production was 12 per cent higher. The rate of growth has shown every sign of increasing since the beginning of the year. The bulk of the increase in output came from increased productivity, which surpassed the level of the same period a year ago by about 8 per cent; experience, however, varied much from country to country, and without Germany (where the increase in productivity was particularly high) the figure would be about 7 per cent.

<sup>1</sup> This development was not yet evident in October, when Germany's accounts with E.P.U. showed a further marked deterioration, presumably reflecting the continued effect of the forces mentioned above with regard to the third quarter, but preliminary data indicate that there was a considerable reduction in the deficit in November.



Table 5

## INDEX NUMBERS OF INDUSTRIAL PRODUCTION

Country	Corresponding quarter previous year = 100							Second quarter 1950 = 100
	1949				1950			1950
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Third quarter
Austria . . . . .	137	133	133	137	134	118*	114	101
Belgium . . . . .	108	106	94	99	97	99*	106	98
Bulgaria . . . . .	137		138	106	122	123	114	..
Czechoslovakia . . . . .	115*	118*	127*	106*	114*	115*	118	101
Denmark . . . . .	104	105	108	107	109	113	110	90
Finland . . . . .	..	..	..	..	108*	106*	97	84
France . . . . .	113	111	107	108	98	97	103	92
Germany : western zones . .	171	168	137	129	119*	122	131	109
Greece . . . . .	117	125	122	111	119	122*	130	112
Hungary . . . . .	127		142	..	147	134	136	..
Ireland . . . . .	106	105	108	110	114	115	113	97
Italy . . . . .	109*	112*	107*	104*	113*	112*	111	96
Netherlands . . . . .	115	112	113	113	109*	110*	115	103
Norway . . . . .	113	104	105	108	108	107	109	85
Poland . . . . .	124		122	..	..	122	118	..
Spain . . . . .	97	102	97	112	116*	111	115	97
Sweden . . . . .	..	..	..	..	104	104	104	86
United Kingdom . . . . .	107	107	107	107	109	108	109	96
Total of countries listed . .	117	115	111	110	110*	110	112	98
U.S.S.R. . . . .	123	120	117	120	122	121	124	..

Sources: The index numbers for each country are derived from the same sources as those in Table I in the section "European Economic Statistics", with the following exceptions: the figures for Hungary and Poland, which were taken from *Statistikai Szemle* and *Gospodarka Planowa*, respectively, and those for Czechoslovakia in 1950, which were taken from *Hospodar*.

The data for individual countries, given in Table 5 and in Table I of the Statistical Appendix, indicate good progress in each country, except in Finland, where strikes were widespread. In France and Belgium, where production earlier in the year had been lower than in the corresponding quarters of 1949, progress was once more evident in the third quarter; a similar upturn is indicated by the figures on employment in Switzerland. The most substantial contribution to the increase in European output was made, however, by western German industry, where output rose by a further 9 per cent in the quarter and exceeded the level of the previous year by 31 per cent. The eastern European countries maintained their high rates of progress, and this was also true of the Soviet Union. Compared with corresponding quarters of the previous

year, the rate of expansion declined only in Austria, but even then the expansion was still rapid and output exceeded the 1938 level by some 40 per cent. Among the smaller countries, Greece stands out with an accelerated rise in industrial production.

As is shown in the summary data in Table 6, the upturn in industrial production in Europe was particularly pronounced in the engineering and chemical industries, where there had been the most marked slowing-down of activity at the end of 1949 and in early 1950. In engineering, output in western Germany was some 50 per cent higher than a year ago. In the face of the general expansion, however, output in Italy was only slightly higher, and output in France and in Belgium was in fact lower, though in all these countries considerable reserve capacity exists.

**Table 6**  
SUMMARY INDICATORS OF ECONOMIC ACTIVITY IN EUROPE <sup>a</sup>

Item	Corresponding quarter previous year = 100						Second quarter 1950 = 100
	1949			1950			1950
	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Third quarter
General index of industrial production .	115	111	110	110*	110	113	98
Engineering industries . . . . .	122	118	114	108	110	115*	98
Chemical industries . . . . .	114	107	108	109	114*	122*	102
Textile industries . . . . .	116	111	114	113*	109	111	94
Building material industries . . . . .	112	110	111	108	111*	113	103
Coal . . . . .	105	105	110	105	102	102	99
Electric power . . . . .	106	105	108	112	111	115	103
Crude steel . . . . .	122	112	108	105	105	110	101
Motor vehicles :							
Passenger . . . . .	139	150	168	150	150	140	96
Commercial . . . . .	129	123	115	111	122	126	96
Cement . . . . .	123	117	122	115	115*	118	107
Cotton yarn . . . . .	115	114	114	116	106	108	97
Wool yarn . . . . .	113	111	109	113	104	113	103
Rayon filament yarn and staple fibre . .	139	122	118	118	120	128	102

Sources : The figures are derived from the same sources as those in Tables I to V and VII to XI in the section "European Economic Statistics" and from the *Monthly Bulletin of Statistics*, United Nations, and various national statistical sources.  
<sup>a</sup> Excluding the U.S.S.R.

**Table 7**  
INDICATORS OF BUILDING ACTIVITY  
Index numbers — corresponding period 1949=100

Country	First quarter	Second quarter	Third quarter	Indicator used
Belgium . . . . .	110	111	111	Volume of building activity
Denmark . . . . .	115	117	120	Floor-space under construction in urban communities at end of quarter
Finland . . . . .	102	129	86	Cubic space of buildings completed
France . . . . .	99	98	100	Volume of building activity and public works
Germany : U.K./U.S. Zone .	100	122	122	Volume of building activity
Italy . . . . .	154	227	207	Number of rooms completed in urban centres
Netherlands . . . . .	110	111*	130	Number of dwellings completed
Norway . . . . .	109	106	102	Number of building workers employed
Spain . . . . .	97	111*	105	Number of dwellings completed
Switzerland . . . . .	177	89	144	Number of dwellings completed in 33 towns
United Kingdom . . . . .	106	105	106	Volume of building and construction activity

Sources : The figures are derived from the *Monthly Bulletin of Statistics*, United Nations, and various national statistical sources.

Indicators of building activity are shown in Table 7. As stated in the preceding issue, these are of varying coverage and reliability ; in countries where the index numbers represent the number of houses completed, the movement of the figures from quarter to quarter may be erratic. In general, continued improvement over the previous year is indicated, especially in western Germany and Italy. The number of rooms completed in Italy is running at twice the rate of the previous year. In Switzerland, the level of house construction has risen, but may have been partially offset by declines in others sectors of building activity.

#### *Coal, Steel and Other Products*

The crucial feature of the third quarter was the failure of coal output to expand. Whilst in the previous quarters the output of coal was growing at an annual rate of about 5 per cent or more, in the second and third quarters the rate fell to 2 per cent. All major producers had difficulty in expanding output. In the United Kingdom, man-power in coal mines fell to 688,000 by the end of October 1950 from 710,000 a year earlier, and this prevented any expansion in production. In western Germany, output per man-shift, at about two-thirds of the pre-war figure, failed to show any improvement. As a result, the production of coal lagged far behind the expansion of industrial production, especially that in heavy industries, and by the end of the third quarter the coal problem has again become acute. Stocks, in so far as they are known,<sup>1</sup> were lower at the beginning of the winter than a year ago in all countries except Sweden. In France, the accumulation of stocks earlier in the year was responsible for a slowing-down of coal production during the second quarter, but the market situation was quickly reversed in the course of the third quarter.

The major effects of the failure to produce enough coal and, even more, of the anticipated shortage of coal were felt in the field of international trade, since each producing country gives priority to domestic consumption. Thus British exports during the third quarter, contrary to plans, were considerably lower than a year ago, and this involved a sharp fall in the

coal imports of Denmark and Sweden. The fall in British exports was offset to some extent by higher German exports, but by the end of October a fall in German exports also appeared probable. Apparent consumption in western Germany increased greatly, partly as a result of expectations of price increases and forewarnings of a coal shortage, which may have stimulated hoarding.

Coal imports into Europe from the United States during the first ten months of 1950 amounted to only 0.3 million tons as against over 9 million tons in the corresponding period of 1949. A number of European countries, led by the United Kingdom, have, however, ordered supplies from the United States and, according to present very tentative indications, imports from that source during the next year may return to an annual rate of about 3 million tons.

Production of steel received a new impetus as a result of political events and the general increase in activity. In Germany, output was running at an annual rate of 13 million tons by the third quarter, following a rapid expansion which started well before the fighting in Korea. During the quarter, orders for exports increased greatly and by the end of September German industry was fully booked with export and home orders for a considerable period ahead. In Belgium and France, production had been low in the early months of 1950, and in September was still less than in earlier peak periods. In France, this reflected the weakness of internal demand, and even the basic industries like the railways placed their orders for steel rather late. As a result, when orders began to come in, the French industry was unable to find scrap and coke in sufficient quantities, and the expansion in output was slow to get under way.

European steel prices were also rising to some extent, owing to rising costs of coal, iron ore and particularly of scrap. The dominant factor was, however, the turning of a buyers' market once more into a sellers' market. This may be illustrated by Belgian export prices for free markets, which, though they are much more sensitive than the internal prices of major producing countries indicate the general trend. The price per ton for merchant bars rose from 2,675 Belgian francs before the Korean war to 4,500 Belgian francs at the end of September, thus returning to the level of May 1949 before the break in the market.

<sup>1</sup> Data are available for pithead stocks in western Europe, but data (in most cases incomplete) on distributed stocks are available only for Great Britain, the Scandinavian countries, Ireland and Greece.

Electric power output has also reached a post-war peak for this time of the year. The higher increase in power output (15 per cent above the corresponding quarter of the previous year) is probably attributable more to higher demand due to the bad summer weather and does not imply an accelerated expansion of capacity.

The production of passenger cars and commercial vehicles was maintained at a high level in all the major producing countries. The output of cement showed a significant increase over the previous year, reflecting the expansion of construction activity. Among textiles, the output of wool yarn kept pace with the general expansion in industrial production, but the rise was still more marked in artificial fibres.

After the outbreak of hostilities in Korea, the demand for raw materials increased out of proportion to the actual increase in industrial production. This was part of the world trend which was largely influenced by United States purchases for stockpiling and by anticipations of shortages and price increases. As far as production during the third quarter is concerned, it is difficult to discern any obstacles caused by shortages of raw materials. So far, these shortages appeared rather as a potential threat, than an actual limiting factor to production. Non-ferrous metals and sulphur seemed likely to present the most serious problem. Zinc is the metal most affected, especially the cheaper grades. As from 1 October, consumption of zinc in the United Kingdom was restricted to about 80 per cent of the average for the first nine months of 1950. By the beginning of December, supplies of nickel and aluminium were also restricted, and other non-ferrous metals may be cut early in 1951. These shortages led to the widespread introduction of export licensing, as in France, or duties on exports, as in Switzerland. Electric power cuts were again beginning to be widespread in October, and a severe winter may cause serious hold-ups of production. Countries dependent on hydro-electricity are generally in a better position than last year, although in Spain power is still in very short supply.

#### *Eastern Europe and the Soviet Union*

Industrial production in eastern European countries and the Soviet Union continued during the quarter to show relatively high annual rates of growth. As far as may be judged from the data in Table 8,<sup>1</sup> the

<sup>1</sup> Yugoslavia, which issues half-yearly reports, is not included in this analysis.

Table 8

### INDUSTRIAL EMPLOYMENT, PRODUCTIVITY AND OUTPUT IN COUNTRIES OF EASTERN EUROPE

*Index numbers — third quarter 1949 = 100*

Country	Third quarter 1950		
	Employment	Productivity	Output
Bulgaria . . . . .	102	111½	114
Czechoslovakia . . . . .	108	109	118
Germany : Soviet Zone . . . . .	111	111 *	123
Hungary . . . . .	114	119	136
Poland <sup>a</sup> . . . . .	108½	112	122
Rumania . . . . .	..	112	..
U.S.S.R. . . . .	111	112	124

*Sources:* The figures are derived from various national statistical sources.

<sup>a</sup> The figures refer to the second quarter 1950 and are based on the corresponding quarter 1949.

expansion of output seems to have been at least as much the result of increases in the productivity of labour as of increases in the numbers employed. The annual increase in productivity has been, in most cases, of the order of 12 per cent. Man-power employed in industry, however, also continued to expand fairly fast in eastern Europe, the rate of increase being generally 8 to 14 per cent per year. In the more rapidly developing countries, part of this increase in employment (and of the increase in industrial production) was at the expense of small-scale industry.

Percentage increases in the production of selected commodities and industries for which this information is available are shown in Table 9. As heretofore, the output of basic materials did not increase as fast as the general index of industrial production. The output of coal and petroleum lagged behind the rise in industrial production, but electric power increased at a higher rate. The greatest increases were again recorded in engineering products, where the rise in the productivity of labour was also greatest. The performance in the field of building materials varied from country to country, being, for instance, favourable in Hungary but less so in Czechoslovakia. In textiles, the production of artificial fibres expanded faster than that of cotton and wool.



Table 9

INDICATORS OF INDUSTRIAL PRODUCTION IN EASTERN EUROPEAN COUNTRIES  
IN THE FIRST THREE QUARTERS OF 1950

Index numbers — corresponding period 1949 = 100

Product	Bulgaria		Czechoslovakia		Germany : Soviet Zone		Hungary			Poland			Rumania			U.S.S.R.			
	First quarter	Second quarter	Third quarter	First half year	First quarter	Third quarter	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter	
Coal and lignite . . . . .	104	115	121*	105 <sup>a</sup>	107 <sup>a</sup>	..	108*	120	118	111	109	104	106	111	108	108	112	112	111
Crude oil . . . . .	..	..	..	..	..	..	..	103	102	..	105	113	108	113	111	112	116	117	112
Electric power . . . . .	136	121	115	110	111	114	..	121	117	118	115	111	121	109	112	115	118	115	115
Pig iron. . . . .	—	—	—	107 <sup>b</sup>	108 <sup>b</sup>	143	138	106	115	130 <sup>c</sup>	111	106	103	121	131	119	114	122	118
Crude steel . . . . .	—	—	—	—	—	180	172	121	119	—	109	110	109	109	123	124	117	119	117
Caustic soda. . . . .	..	..	..	..	..	..	111	..	..	..	114	117	110	107	108	..	..	..	114
Nitrogenous fertilizers . . . . .	..	..	..	..	107 <sup>d</sup>	..	..	111	128	114 <sup>f</sup>	103	112	149	111	118	118	119 <sup>f</sup>	118 <sup>f</sup>	126 <sup>f</sup>
Other fertilizers . . . . .	..	..	..	..	..	..	100 <sup>e</sup>	232 <sup>e</sup>	148 <sup>e</sup>	114 <sup>f</sup>	118	109	..	..	..	..	128	126	124
Cement . . . . .	161	128	113	107 <sup>g</sup>	109 <sup>g</sup>	123	117	209	144	136	101	115	104	121	117	118	..	..	124
Bricks . . . . .	..	..	..	..	..	..	133	205	203	138	144	117	162	290	..	..	..	..	124
Metal-cutting machine-tools . . . . .	154	102	..	124 <sup>j</sup>	132 <sup>j</sup>	119 <sup>h</sup>	..	125	156	160	..	109	141	..	209 <sup>i</sup>	..	..	..	114
Electric generators and motors. . . . .	176 <sup>k</sup>	175 <sup>k</sup>	122 <sup>k</sup>	124 <sup>j</sup>	132 <sup>j</sup>	176 <sup>l</sup>	..	..	..	..	..	..	127	313	228	304	135 <sup>k</sup>	119 <sup>k</sup>	115 <sup>k*</sup>
Tractors . . . . .	—	—	—	..	..	..	900*	191	176	..	182	162	150	259	226	112	101	116	139
Cotton fabrics . . . . .	135	118	126	113 <sup>m</sup>	106 <sup>m</sup>	108	102	119	116	115	102	123	108	133	110	102	103	102	103
Wool fabrics . . . . .	..	133	134	113 <sup>m</sup>	106 <sup>m</sup>	108	114	110	121	114	112	131	125	121	107	..	110	110	110
Other fabrics . . . . .	..	..	..	..	..	156 <sup>o</sup>	140 <sup>o</sup>	151 <sup>o</sup>	127 <sup>p</sup>	117 <sup>p</sup>	132 <sup>p</sup>	124 <sup>p</sup>	..	112 <sup>p</sup>	132 <sup>q</sup>	120 <sup>q</sup>	121 <sup>q</sup>	121 <sup>q</sup>	121 <sup>q</sup>
Leather footwear. . . . .	191 <sup>r</sup>	223 <sup>r</sup>	245 <sup>r</sup>	104 <sup>s</sup>	97 <sup>s</sup>	131	138	166	185	204	148	120	136	160	117	128	126	123	125
Paper. . . . .	128	118	..	105	107	143	119	..	131	..	113	117	104	107	112	116	..	..	121

Sources: The figures have been taken from various national statistical sources.

a Mining.

b Metallurgy.

c Ferrous metallurgy.

d Chemicals.

e Superphosphates.

f Mineral fertilizers.

g Building materials and ceramics.

h Engineering products.

i Parallel lathes.

j Engineering industry, excluding vehicles.

k Electric motors only.

l Electro-technical products.

m Textiles and clothing.

n All fabrics.

o Linen and canvas.

p Rayon fabrics.

q Silk fabrics.

r All footwear.

s Leather and rubber industry.

Economic plans for the third quarter were more or less fulfilled. The drought interfered with the production of electricity in Bulgaria, creating a serious obstacle to the fulfilment of production plans. Czechoslovakia also suffered to some extent from the drought, but frequent breakdowns of machinery were more important in causing shortages of electricity at peak levels of demand.

In Czechoslovakia, continued emphasis was laid on the development of heavy engineering industry, and—in spite of further development—plans were not fulfilled in some branches of this industry. Much fuller utilization of capacity seems necessary if Czechoslovakia is to meet more of the machinery import needs of other eastern European countries. New lines of production have also been started in Czechoslovakia with a view to replacing some of the machinery imports from western Europe. Industries—such as the glass industry and the leather and rubber industry—which previously produced mainly consumers' goods are gradually being reorganized to produce materials for other industries. Increased employment of women in Czechoslovakia was a crucial factor in expanding production, but high labour turnover in some industries, together with certain shortages of building materials, interfered with progress.

In Hungary, a reorganization of the wage system to give increased incentives for efficiency was the most important event of the quarter, and progress was relatively high in most branches of industry. Good progress was also made in Poland, in spite of minor shortages in some industries.

#### *Agricultural Production*

The harvest of 1950 in Europe turned out to be slightly worse than expected. On the basis of provisional results, given in Table 10, the output of bread grain was slightly higher and of coarse grain lower than in 1949. Total grain production in Europe was still about 8 per cent less than during 1934-1938. The output of sugar beet, however, increased substantially and was about a quarter higher than before the war. Potato production also expanded, but still fell short of the 1934-1938 level.

Quantitatively, the most important changes in 1950 production were the good harvests in Turkey, following the catastrophic results of 1949, and the drought in Yugoslavia, which caused a very heavy fall in yields. In Spain, where the drought continued for the fourth successive year, output was low, although slightly better than a year ago. Crops were good in Bulgaria and Hungary (though maize, which matures relatively late, was affected by the drought) and also in Italy. In France, Poland and the United Kingdom, improvements in one direction were offset by losses in another. In sugar beet production, the heavy crop in France and great improvements in both western and eastern Germany are outstanding.

The output of livestock produce, shown in Table XII, continued to expand and was significantly higher than a year earlier. In the Soviet Union the gross grain harvest is reported at last year's level. Among other crops, cotton and sugar are mentioned as exceeding last year's harvest, but the output of potatoes probably declined.

#### *Employment and Unemployment*

The level of employment in European countries generally increased in the third quarter. The most marked change in the figures for employment given in Table VI was a 5 per cent rise in industrial employment in western Germany. In countries like Austria, Belgium and Switzerland, where the employment situation appeared uncertain during the winter of 1949/50, the position of the summer of 1949 has been regained. In Switzerland, for instance, the number of vacancies registered once more exceeded the number of applications for posts. In western Germany, in spite of continuing increases in the numbers available for employment, there was a major reduction in unemployment from the figure of 2.0 millions reached during the winter of 1949/50 to 1.5 million at the end of June, and 1.2 million at the end of October 1950.

Although unemployment in western Germany, Italy, Belgium, Austria and Spain has declined only to the level prevailing in the autumn of 1949, a continued improvement may be expected.

**Table 10**  
**PRODUCTION OF MAJOR AGRICULTURAL CROPS**  
*Millions of tons*

Country	Bread Grain			Coarse Grain			Sugar Beet <sup>a</sup>			Potatoes		
	1934-1938	1949	1950	1934-1938	1949	1950	1934-1938	1949	1950	1934-1938	1949	1950
Albania . . . . .	0.04	0.06 *	0.05 *	0.15	0.16 *	0.15 *	..	..	..	..	..	..
Austria . . . . .	0.96	0.72	0.70	0.90	0.60	0.52 *	0.18	0.07	0.09	2.85	2.01	2.15 *
Belgium . . . . .	0.87	0.85	0.84	0.75	0.83	0.84	0.24	0.35	0.40	3.17	1.95	2.05 *
Bulgaria . . . . .	1.96	1.98 *	2.19 *	1.40	1.19 *	1.38 *	0.02	0.05	0.05	0.11	0.10 *	0.10 *
Czechoslovakia . . . . .	3.08	2.91	2.84 *	2.49	2.45	2.57 *	0.63	0.62	0.78	9.64	6.26	7.00 *
Denmark . . . . .	0.65	0.77	0.64	2.91	3.32	3.01	0.19	0.32	0.36	1.35	1.79	1.91
Finland . . . . .	0.48	0.54	0.53	0.83	0.90	0.90	0.01	0.02	0.03	1.11	1.16	1.34
France . . . . .	8.91	8.73	7.92	6.19	4.85	5.11	0.97	0.88	1.34	17.16	9.65	12.93
Germany : western zones	5.59	5.78	5.64	4.88	4.25	4.37	0.51	0.62	0.85	19.98	20.88	27.96
Soviet Zone	3.62	2.95	2.95	2.62	1.55	1.66	0.78	0.56	0.78	13.63	8.62 *	10.50 *
Greece . . . . .	0.81	0.88	0.95	0.56	0.53	0.57	—	—	—	0.14	0.44	0.45
Hungary . . . . .	2.92	2.60 *	2.96 *	3.18	3.10 *	3.32 *	0.12	0.26	0.25	2.13	2.59	2.40 *
Ireland . . . . .	0.18	0.37	0.37 *	0.71	0.73	0.78 *	0.08	0.09	0.10	2.58	2.74	2.83 *
Italy . . . . .	7.40	7.15	7.70	3.76	2.84	2.60	0.34	0.48	0.58	2.63	2.61	2.97
Luxembourg . . . . .	0.05	0.04	0.05	0.05	0.05	0.05	—	—	—	0.20	0.11	0.15
Netherlands . . . . .	0.93	0.94	0.70	0.47	0.63	0.62	0.24	0.40	0.38	2.72	4.61	4.50 *
Norway . . . . .	0.07	0.07	0.07	0.32	0.26	0.29	—	—	—	0.89	1.10	1.28
Poland . . . . .	8.82	8.54 *	7.87 *	4.46	3.36	3.53 *	0.95	0.85	0.93	38.01	30.90	31.83 *
Portugal . . . . .	0.58	0.54	0.72	0.43	0.42	0.63	—	—	—	0.56	0.73	0.88 *
Rumania . . . . .	2.77	2.66 *	2.81 *	5.16	5.38 *	4.95 *	0.07	0.11	0.11	1.24	1.09	0.82 *
Spain . . . . .	4.92 <sup>b</sup>	3.04	3.29 *	3.77 <sup>b</sup>	2.50	2.83 *	0.31 <sup>b</sup>	0.16	0.16	4.95 <sup>b</sup>	2.86	3.13 *
Sweden . . . . .	1.11	0.98	0.98	1.72	1.67	1.61	0.31 <sup>c</sup>	0.29	0.33	1.85	1.72	1.80
Switzerland . . . . .	0.19	0.28	0.23	0.03	0.16	0.10	0.01	0.02	0.03	0.74	0.76	1.10
Turkey . . . . .	4.08	2.75	4.95	2.91	2.24	3.12	0.06	0.15	0.13	0.18	0.49	0.48
United Kingdom . . . . .	1.75	2.29	2.62	2.80	5.20	4.20	0.47 <sup>d</sup>	0.51	0.65	5.01	9.18	9.37
Yugoslavia . . . . .	2.57 <sup>e</sup>	2.79	2.04	9.21 <sup>e</sup>	8.21	5.39 *	0.08	0.10	0.10	1.50	2.05	1.36 *
Total Europe (ex- cluding U.S.S.R.)	65.28	61.20	62.58	62.66	57.38	55.10	6.57	6.93	8.43	134.31	116.40	132.29
Index numbers — 1934-1938 = 100 . .	100	94	96	100	92	88	100	105	128	100	87	98

Sources : The figures have been taken from *Food and Agricultural Statistics*, Food and Agriculture Organization of the United Nations ; *Sugar*, C. Czarnikow, Ltd., London, and various national statistical sources. The 1950 figures for bread grain, coarse grain and potatoes generally are provisional estimates furnished to the Geneva Office, Food and Agriculture Organization by national governments.

NOTE. — "Bread grain" includes wheat and rye. "Coarse grain" includes barley and oats in all instances. In addition, maize is included in the latter category for Albania, Austria, Bulgaria, Czechoslovakia, France, Greece, Hungary, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and

Yugoslavia ; mixed grain for Denmark, western zones of Germany, Norway, Sweden and Yugoslavia. All figures refer to the harvest of the spring, summer and autumn of the year stated.

<sup>a</sup> Raw sugar value.

<sup>b</sup> 1931-1935.

<sup>c</sup> 1935-1939.

<sup>d</sup> 1935-1938.

<sup>e</sup> 1930-1939.

### Prices and Wages

The most spectacular feature of the period under review was the rise in the price of raw materials in world markets following the outbreak of fighting in Korea. As may be seen from Table 11, the increase in prices as recorded in United States markets extended to nearly all primary products. In general, the rise

in prices was greater for industrial raw materials than for foodstuffs, and amongst industrial materials the most spectacular increases were in non-ferrous metals (where the rise in price during the quarter was of the order of 30 per cent), in rubber (where it was some 80 per cent) and in wool (some 30 per cent). Apart from cocoa and coffee, the rise in the price of foodstuffs was, by contrast, of the order of 10 per cent or less.

**Table 11**

**PRICE DEVELOPMENT OF MAJOR COMMODITIES IN THE UNITED STATES**

Commodity	Unit	Quotations, expressed in dollars							Percentage increase		
		1938	1949		1950				Aug. 1949- June 1950	June 1950- Sept. 1950	Sept. 1950- Dec. 1950
		Average	Aug.	Dec.	March	June	Sept.	Dec.			
Bacon . . . . .	100 lb	22.7	48.3	43.6	41.9	43.4	49.3	43.4	-10	+14	-12
Butter . . . . .	100 lb	28.0	61.8	63.1	63.5	59.9	63.3	65.5	-3	+6	+3
Cacao . . . . .	100 lb	5.3	22.6	25.9	22.8	30.8	42.0	33.5	+36	+36	-21
Coffee . . . . .	100 lb	7.8	28.4	49.0	47.1	47.7	56.1	53.8	+68	+18	-4
Rice . . . . .	100 lb	3.30	8.40	8.16	8.03	8.12	8.47	9.49	-3	+4	+12
Sugar . . . . .	100 lb	4.49	7.69	7.89	7.57	7.55	8.08	8.08	-2	+7	—
Tea . . . . .	100 lb	28.0	60.2	54.2	51.0	46.5	52.3	50.2	-23	+13	-4
Wheat . . . . .	Bushel	0.78	2.03	2.20	2.27	2.16	2.19	2.41	+6	+1	+10
Copra . . . . .	100 lb	1.95	8.88	8.93	9.95	8.58	11.1	10.7	-3	+30	-4
Linseed oil . . . . .	100 lb	9.0	21.6	18.5	18.0	18.9	18.6	19.5	-13	-2	+5
Cotton . . . . .	100 lb	9.0	31.0	30.3	31.9	33.8	40.5	41.8	+9	+20	+3
Jute . . . . .	Short ton	86	300	284	316	328	316	319	+9	-4	+1
Rubber . . . . .	100 lb	14.6	16.0	17.5	19.9	30.9	56.0	68.9	+93	+81	+23
Silk . . . . .	Per lb	1.71	2.60	2.68	2.65	2.68	3.40	3.72 <sup>a</sup>	+3	+27	+9 <sup>a</sup>
Wool . . . . .	100 lb	29.5	54.5	55.2	57.0	67.8	89.2	107	+24	+32	+20
Copper . . . . .	100 lb	10.2	17.6	18.5	18.5	22.3	23.3	24.5	+27	+5	+5
Lead . . . . .	100 lb	4.74	15.0	12.0	11.0	11.9	15.8	17.0	-21	+33	+8
Tin . . . . .	100 lb	42.3	103	79.0	75.8	77.7	100	139	-25	+29	+39
Zinc . . . . .	100 lb	4.98	10.7	10.5	10.7	15.5	17.8	18.3	+45	+15	+3
Scrap iron . . . . .	Long ton	12.6	21.0	31.0	31.6	43.9	44.0	46.5	+109	—	+6
Mineral oil, crude . . . . .	Barrel	1.12	2.51	2.51	2.51	2.51	2.51	2.51	—	—	—

Sources : The figures for 1938 to September 1950 have been taken from *International Financial Statistics*, International Monetary Fund. Those for December 1950 have been taken from "Weekly Report on United States Business", *The Journal of Commerce*, New York, and the *New York Times*.

NOTE. — The figures refer to monthly averages of quotations with the exception of those for December 1950, which are mid-month quotations.  
<sup>a</sup> Average for November.

Although for some commodities such as wool and cotton the upward movement of prices was the result of a substantial gap between the levels of supply and demand, for many commodities the rise in prices was the result of stockpiling and speculation rather than an excess of current requirements over supplies. In the fourth quarter, prices rose at a much lower rate and there was even a fall in the price of certain food-stuffs. Among industrial materials, there was a further marked increase in the price of tin, which rose by some 40 per cent, and in the prices of wool and rubber, but the increase in the prices of other products was generally much lower than in the preceding quarter. It is too early to say to what extent the slowing-down of price increases reflects the measures recently taken—for example in the United States and the United Kingdom—to restrict demand of scarce commodities and the measures taken to allocate supplies of certain others.

Only the initial repercussions of the rise in world prices of primary products were felt by European countries in the third quarter. Since contracts for a large proportion of imports delivered in the third quarter were made before prices had risen, the average level of import prices of European countries in the quarter showed only a moderate increase, reaching 5 per cent at most. As may be seen from Table XVII, the upward movement of prices, however, became more fully registered in the import returns in September than in the previous months and may be expected to have continued in the fourth quarter. In general, the terms of trade of European countries showed some further deterioration, since export prices in most cases remained stable or rose only slightly, except in those countries which, through exporting raw materials and semi-manufactures, directly benefited from the rise in raw material prices. The chief countries to gain in this manner were Belgium, where the export price of



steel rose, and Sweden and Austria, where the rise in prices of wood pulp and other products was sufficient to cause an actual improvement in its terms of trade.

Domestic wholesale prices rose in all countries, though by very varied amounts. The actual movement of the indices shown in Table XIII is influenced by the varying extent to which the index numbers for individual countries include quotations for raw materials. In all countries—even including Switzerland, Belgium and Italy, which did not devalue or devalued only moderately—the level of wholesale prices during the quarter exceeded that of September 1949, and in countries which carried out major devaluations the wholesale price index rose by 15 to 20 per cent in the year following devaluation.

Partly owing to the delayed incidence of the rise in world market prices on the cost of living and partly owing to the subsidies and other measures used to limit living costs, the rise in the cost-of-living indices shown in Table XIV was relatively moderate for the third quarter in most countries. Substantial increases took place, however, in Greece, Iceland, Austria and Belgium. In Belgium, measures were taken which have led to a reduction in the cost of living since the end of the quarter.

Although the actual cost-of-living indices remained relatively stable in most countries, the upward movement in world prices and the expectation of further increases in consumers' prices led to renewed pressure on wages. In some countries there were also increases arising from outstanding claims made in the face of the rise in the cost of living in previous periods. In Finland an increase of 5 to 10 per cent in wages took place in October following a major increase in May. In the Netherlands, the second 5 per cent increase of the year took place in September. In Norway, wages

rose by 6 per cent in October and there was also a rise in Austria. In other countries, the increases were more sporadic, affecting a few industries at a time; thus, in the United Kingdom, railway workers' wages rose a little in August and those of agricultural workers in September, while in October the movement spread to some other industries. Similar tendencies prevailed in France, and further wage increases are anticipated in many countries.

In order to restrict the upward movement of prices and wages, measures have already been taken in a number of countries to counter inflationary pressure. Specific controls which had previously been relaxed or abandoned have in some cases been re-introduced. The control of imports and exports has also been adjusted in certain countries with a view to influencing internal prices. Thus, France had recourse to emergency duty-free imports of certain consumption goods, whilst Belgium restricted exports of textiles in order to increase supplies on the home market. Together with specific controls, general monetary and fiscal measures to restrict effective demand have been taken in some countries, notably Germany and Italy. Rates of interest have been raised in a number of countries, including such countries as Denmark and the Netherlands, which had previously adhered to a cheap money policy. The adequacy of these measures cannot be assessed at this stage, but so far they have chiefly aimed at restricting the speculative increase in stocks that followed the political development and price movements of last summer. The symptoms of renewed inflationary pressure in the third quarter did not yet reflect the effects of the rearmament programmes contemplated in many countries, which in most cases have not so far involved an appreciable increase in Government expenditure.

## EUROPE'S TRADE WITH LATIN AMERICA

### 1. THE GENERAL COURSE OF THE TRADE

Trade between Europe and Latin America, already adversely affected by the depression of the last pre-war decade, has been at still lower levels since the war. At the same time, the trade of each continent with other areas has been greater—that of Latin America very much greater—than in the immediate pre-war years. This stagnation in trade between Europe and Latin America has occurred despite the fact that the two areas are highly complementary to each other in their economic resources. It has contributed, moreover, to the difficulties experienced by many countries in both areas since the war in balancing their trade with the United States, but so far there has been little indication of a restoration and renewed growth of their trade with each other. The present article reviews the main developments in this trade in recent years and analyses some of the principal factors responsible for its decline.<sup>1</sup>

<sup>1</sup> This article is based on material prepared by the Research and Planning Division of the Economic Commission for Europe as part of a fuller analysis of the long-term development of trade between Europe and Latin America which is being undertaken jointly with the Economic Commission for Latin America.

#### *The Level of Trade*

The over-all movement of trade between Europe and Latin America in the post-war period compared with pre-war is shown in Table 1, giving the total value of trade between the two areas in both current and constant prices. The total turnover, calculated in 1948 prices, was about one-fifth less in 1948 than in 1938, although trade in that year was, in turn, substantially less than in 1928. Moreover, 1949 brought a further decline in the trade turnover, largely because of the crop failure in Argentina, and this setback was not fully counteracted by the upward movement registered in the first half of 1950.

From the data in constant prices it will also be seen that the decline over the past 20 years has been much greater in Europe's imports from Latin America (about 60 per cent of 1928 in 1948 and only 45 per cent in 1949) than on the side of Europe's exports to Latin America (roughly three quarters of 1928 in both years). Europe has nevertheless had to make heavy dollar settlements to Latin America since the war. This is largely because the terms of trade have been

Table 1  
TRADE OF EUROPE WITH LATIN AMERICA  
*Millions of dollars and index numbers*

Item	1928	1938	1948	1949	1949 Jan.-June	1950 Jan.-June
<i>In current prices</i>						
Imports from Latin America, f.o.b. <sup>a</sup>	1,628	949	2,302	1,588	830	789
Exports to Latin America	973	681	1,318	1,342	665	628
Import surplus	655	268	984	246	165	161
<i>Per cent of imports covered by exports</i>	60	72	57	85	80	80
<i>In 1948 prices</i>						
Imports from Latin America, f.o.b.	3,923	3,135	2,302	1,784	847	999
Exports to Latin America	1,846	1,520	1,318	1,413	665	775
<i>Unit value—1948=100</i>						
Imports from Latin America	42	30	100	89	98	79
Exports to Latin America	53	45	100	95	100	81
Terms of trade <sup>b</sup>	79	67	100	94	98	98

<sup>a</sup> Calculated by reducing the c.i.f. figure by 12.5 per cent.

<sup>b</sup> Calculated by dividing the index of import unit values by the index of export unit values.

### Corrigendum

#### Page 18. Table 1 - TRADE OF EUROPE WITH LATIN AMERICA :

*Unit value - 1948 = 100*

1950  
Jan.-June

Exports to Latin America . . . . .	<i>for 81 read 79</i>
Terms of trade <sup>b</sup> . . . . .	<i>for 98 read 100</i>



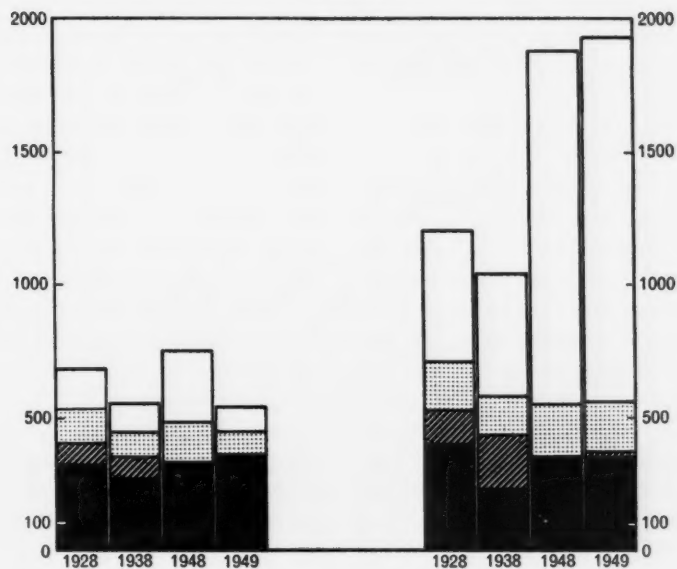


Chart 1

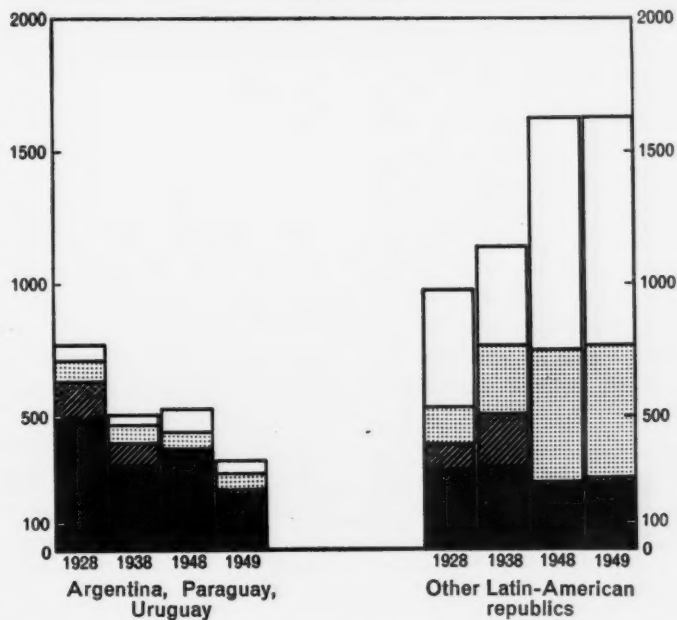
VOLUME OF FOREIGN TRADE OF THE LATIN-AMERICAN REPUBLICS

Millions of dollars in 1938 prices

IMPORTS



EXPORTS



NOTE. — "Other non-European countries" includes the trade of Latin-American countries with each other.



much less favourable to Europe than they were before the war, especially in the depression period, as indicated in Table 1, and because Europe's receipts from investments and services now cover a much smaller part of its imports. As will be seen shortly, however, Europe's dollar settlements have been concentrated in certain northern Latin-American countries, where its post-war export position has been particularly weak.

#### *Shifts in the Geographical Pattern*

The downward movement of trade before and after the war took place under very different conditions in the two periods. Between 1928 and 1938, the decline in trade between Europe and Latin America largely reflected the general recession in world trade at that time. In 1948, on the other hand, the low level of trade between Europe and Latin America was largely attributable to disturbances and shifts caused by the war. In over-all terms, a far larger part of the total trade of Latin America is now conducted with the United States, while Europe has also looked to the United States for a greater part of its imports than it did before the war and has largely concentrated its export drive in its politically affiliated overseas areas. These shifts in the broad pattern of trade result in considerable part, however, from the changed position of two major countries, one on each side; that is, the failure of the foreign trade of Argentina—Europe's principal trade partner in Latin America—to expand like that of other Latin-American countries since the war, and the virtual disappearance of Germany from world markets until fairly recently—a country which before the war rivalled the United Kingdom in the size of its exports to Latin America. The effects of these structural shifts may be examined in Chart 1 showing for pre-war and post-war years the trade of Argentina and of the rest of Latin America divided according to the principal areas of supply for imports, and of destination for exports.

The chart shows the striking differences between the trade of the River Plate countries and that of the rest of the continent. On the one hand, Argentina, which is of overriding importance in this group, is not only Europe's principal supplier and customer in Latin America, but it also has relatively little trade with the United States and other non-European countries. The close ties of Argentina with Europe and the relatively low level of its trade with the

United States are essentially because the economy of Argentina is complementary to that of Europe, while its exports compete with those of the United States. Europe needs the foodstuffs which comprise the bulk of Argentina's exports, whereas the United States has always been an exporter of foodstuffs except for a brief period in the 1930's when its agricultural production was severely curtailed by drought. Because of its structural dependence on trade with Europe, the Argentine economy suffered particularly severely from the interruption of European trade during the war, and this, as discussed later, encouraged changes in its production and trade policies which partly explain the low level of its foreign trade since the war. The decline is, in fact, greater than that indicated by the graph (and that from the 1920's to the 1930's correspondingly less), since 1938 was an abnormally low year in Argentine exports because of crop failure.<sup>1</sup>

On the other hand, the other group of Latin-American countries in Chart 1 have registered a very substantial increase in their total trade since the war, their exports in 1948 and 1949 being more than 60 per cent higher than in 1928. The greater part of this increase occurred in trade with the United States, to which exports doubled; a further substantial part of the increase went to countries outside Europe and the United States. These exports, however, include crude oil shipped from Venezuela to the Netherlands West Indies for refining, after which a part of the products is re-exported to the United States and to Europe. To this extent, the graph under-estimates Latin-American exports to both of these areas, although even including this indirect trade the volume of exports from this group of countries to Europe was smaller after the war than before.

The decline in Europe's trade with these Latin-American countries may be largely attributed to the fall in Germany's trade which, when it expanded in the 1930's, was not heavily concentrated on Argentina, like that of other European countries, but developed more markedly with the rest of the continent. It is also evident from the graph that, although the exports of other European countries to that area stood at a higher level in 1948 and 1949 than in 1938,

<sup>1</sup> The volume of exports from Argentina fell by 34 per cent from 1937 to 1938. The decline from 1928 to 1935-37 (taking the average for that period instead of 1938) was about 10 per cent, while from 1935-37 to 1948 the drop was about 20 per cent. See the *Economic Survey of Latin America in 1949*, Economic Commission for Latin America, Montevideo, June 1950.

Table 2

SHARE OF EUROPE AND THE UNITED STATES IN THE TRADE OF THE LATIN-AMERICAN REPUBLICS

Millions of dollars in current prices, f.o.b., and percentages

Country group	TRADE WITH EUROPE						TRADE WITH UNITED STATES					
	Values (millions of dollars)		As per cent of group's total foreign trade				Values (millions of dollars)		As per cent of group's total foreign trade			
	1938	1948	1928	1938	1948	1949	1938	1948	1928	1938	1948	1949
I. Argentina, Uruguay and Paraguay												
Imports <sup>a</sup> . . . . .	311	675	59	59	38	65	93	447	24	17	37	17
Exports . . . . .	440	1,258	81	77	75	65	46	251	8	8	11	14
II. Brazil, Chile, Peru and Bolivia												
Imports <sup>a</sup> . . . . .	214	340	54	52	24	27	109	703	29	26	50	46
Exports . . . . .	326	560	48	58	33	33	140	763	38	29	44	49
III. Other Latin-American republics <sup>b</sup>												
Imports <sup>a</sup> . . . . .	156	303	32	34	12	11	292	2,037	60	59	78	80
Exports . . . . .	183	484	27	23	16	14	267	1,314	60	41	50	49
Total Latin-American republics												
Imports <sup>a</sup> . . . . .	681	1,318	48	48	23	29	494	3,187	37	34	58	54
Exports . . . . .	949	2,302	54	49	37	30	453	2,328	34	27	38	42

NOTE. — The value figures have been taken from European and United States trade statistics, while the percentages are derived from the statistics of the Latin-American republics.

<sup>a</sup> Calculated by reducing the c.i.f. figure by 12.5 per cent.  
<sup>b</sup> Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, El Salvador, Venezuela.

they have not succeeded in filling the place left vacant by Germany.

In brief, therefore, the Latin-American countries whose foreign trade shows a great post-war expansion had had, as their principal partner in Europe, Germany, whose overseas trade began to revive only in 1950. On the other hand, the United Kingdom and other European countries, whose overseas trade has increased since the war, had their closest ties with Argentina and Uruguay, where exports have been falling.

The part played by individual countries or areas in Latin America and Europe and the change in the relative importance of trade between the two areas since the war may be examined in the light of the data given in Tables 2 and 3. Table 2 shows that Europe has regained its pre-war relative position in the foreign trade of the River Plate countries and in 1949 even increased its share in their imports. On the other hand, in the other two groups of Latin-American countries, whose ties with Europe have been less

close, a considerable shift away from Europe and towards the United States has taken place. In particular, Europe has lost the major part of its markets in the group of northern republics, which already had the closest association with the United States before the war, while its share in the exports of those countries fell rather less and for the post-war years is actually under-stated in the table, if account is taken of Venezuelan oil as mentioned above. These shifts account for the fact that Europe's balance-of-payments difficulties in the post-war period were greatest with the tropical republics and, at least from 1949 onwards, less serious with the River Plate countries.

For the Latin-American countries taken as a whole, the share of their foreign trade accounted for by Europe declined from nearly 50 per cent before the war to approximately 30 per cent in 1949. Nevertheless, the relative importance of the trade remained much greater in Latin America than in Europe, where it made up in 1949 only about 7 per cent of the total

Table 3

SHARE OF LATIN AMERICA IN THE TRADE OF EUROPEAN COUNTRIES

Millions of dollars in current prices, f.o.b.,<sup>a</sup> and percentages

Country	Trade with Latin America (millions of dollars)		As per cent of total trade <sup>b</sup>				
	1938	1948	1928	1938	1948	1949	1950 (first six months)
Belgium-Luxembourg							
Imports . . . . .	56	166	10	8	10	8	7
Exports . . . . .	42	155	7	6	9	8	6
France							
Imports . . . . .	86	226	10	7	8	6	8
Exports . . . . .	46	80	5	5	4	6	8
Germany <sup>c</sup>							
Imports . . . . .	285	83	12	15	6	5	7
Exports . . . . .	253	5	7	12	1	2	6
Italy							
Imports . . . . .	34	236	12	7	18	10	11
Exports . . . . .	43	221	12	8	21	17	13
Spain							
Imports . . . . .	6	155	11	5	37	25	12
Exports . . . . .	4	33	12	4	9	9	8
Sweden							
Imports . . . . .	18	85	7	7	7	7	9
Exports . . . . .	20	102	4	4	9	8	9
Switzerland							
Imports . . . . .	19	139	15	6	14	7	9
Exports . . . . .	20	109	6	7	14	12	11
United Kingdom							
Imports . . . . .	305	790	12	8	11	8	9
Exports . . . . .	177	487	10	8	8	8	7
Other European countries							
Imports . . . . .	141	422	5	4	5	4	..
Export . . . . .	76	126	3	3	4	4	..
Total Europe <sup>d</sup>							
Imports . . . . .	950	2,302	21	17	16	12	..
Exports . . . . .	681	1,318	18	18	15	14	..

<sup>a</sup> Approximate f.o.b. values for imports have been obtained by a uniform deduction of 12.5 per cent from the recorded c.i.f. values.

<sup>b</sup> Including intra-European trade.

<sup>c</sup> For 1928 and 1938, the figures refer to the whole of the pre-war territory ; for the post-war years, they refer to the three western zones only.

<sup>d</sup> The percentages have been computed on the basis of Europe's overseas trade only and, therefore, are not comparable with the percentages for individual countries shown above.



trade turnover of European countries or, excluding their transactions with one another,<sup>1</sup> about 13 per cent of their total overseas trade compared with about 17½ per cent in 1938. The decline in the role of Latin America as a supplier to Europe is greater, however, than the figures given in Table 3 would suggest. This is because they are based on current values and, in the comparison from pre-war to post-war, are influenced by the relatively greater rise in the price of Europe's imports from Latin America than from other sources. Measured in 1938 prices throughout, the share of Latin America in Europe's overseas imports fell by almost one-half from 1938 to 1949.

Only Spain, Italy and Switzerland have succeeded, since the war, in obtaining a substantially larger part of their total imports from Latin-American sources,

although even in these instances the percentage has declined since 1948 as the supply position in other areas improved in relation to that in Latin America. The increase in the case of Spain was exceptionally great in 1948 compared with pre-war, the high level in that year and its subsequent decrease being due to the drawing-down of large-scale credits granted by Argentina. Credits from the same source also explain the relatively high share of Latin America in Italy's imports in 1948. On the export side, Italy and Switzerland, together with Belgium and Sweden, are the only European countries to show a significant increase in the proportion going to Latin America. Here also the share of Latin America has since receded in each instance except Sweden, whose exports have been maintained by the enlarged market for pulp and paper products in Latin America since the war.

## 2. PRICE FLUCTUATIONS AND SHIFTS IN PRODUCTION

### *Price Trends before the War*

The unfavourable development of trade between Europe and Latin America reflects in part the wide price fluctuations of the pre-war decade, with disturbing effects on production and trade, and the relatively high prices both in Latin America and in Europe during the early post-war years, which tended to discourage the recovery of commercial exchanges between the two areas.

The depression in the 1930's greatly diminished the demand for Latin-American products both in Europe and in the United States, and the decline in demand for these products in the major importing countries was aggravated by the increased protection given to their domestic agriculture as well as by preferential tariff treatment accorded to other overseas suppliers whose production competed with that of Latin America, notably in the case of the British imperial preference arrangements. Prices of Latin-American exports accordingly fell sharply and, even after a partial recovery in world trade and production, still averaged about one-third less in 1938 in terms of current dollars than in 1928. As shown in Table 4, the decline over this period was greatest for coffee, hides and skins, sugar, cocoa, cotton and wool, but was considerably less for grain, linseed and meat.

<sup>1</sup> A similar adjustment to exclude intra-Latin-American trade would not affect Europe's share in the total so markedly (raising it from about 30 to 32 per cent in 1949) because of the relatively small volume of trade among the Latin-American countries.

Table 4

### INDEX NUMBERS OF DOLLAR PRICES OF SELECTED EUROPEAN IMPORTS FROM LATIN AMERICA

1938 = 100

Commodity	1928	1948	1949 Jan.- Sept.	1950 Jan.- June
<i>Foodstuffs</i>				
Wheat . . . . .	130	400	350	240
Maize . . . . .	145	350	365	220
Raw sugar . . . . .	225	465	395	385
Meat <sup>a</sup> . . . . .	125	175	180	170
Coffee . . . . .	255	300	315	460
Cocoa . . . . .	210	490	340	315
Raw tobacco . . . . .	155	250	260	245
<i>Industrial materials</i>				
Mineral oil, crude . . . . .	..	265	255	190
Copper, electrolytic . . . . .	155	240	225	195
Lead . . . . .	140	510	560	360
Linseed . . . . .	130	490	..	..
Quebracho extracts . . . . .	140	315	290	210
Nitrate . . . . .	165	250	210	180
Raw wool . . . . .	180	205	280	260
Raw cotton . . . . .	205	275	300	245
Hides and skins . . . . .	250	275	300	245

NOTE. — The unit values of total imports, computed according to the method applied in Table 1, give the following indices for total European imports from Latin America: for 1928 — 157; for 1948 — 322; for January-September 1949 — 299; and for January-June 1950 — 244. See note on sources and methods.

<sup>a</sup> Beef, lamb, mutton.

The decline in the quantities and prices of the exports of Latin-American countries severely reduced their purchasing power for manufactured goods, the prices of which had fallen very much less than those of primary products. The volume of Latin-American imports from Europe was accordingly sharply reduced in the 1930's. As may be seen by reference to Chart 1, the over-all decline in trade in both directions between the two areas would have been very much greater still if it had not been for the remarkable development of Germany's trade with Latin-American countries during that period—an expansion achieved through the relatively attractive prices offered by Germany under a system of bilateral trade and exchange rates.

#### *Changes in Latin-American Production*

Because of the typically slow response of primary producers to falling prices, the production of export commodities in Latin America declined during the 1930's in only a few instances, notably sugar and tin, among the products covered by Table 5. Generally speaking, the production of primary goods was higher, and in most instances considerably higher, in the 1930's than it had been in the 1920's.

There were, nevertheless, significant indications of shifts in the pattern of production and consumption. The rise in output of agricultural commodities was stronger in those products where the home market took an important share than in those produced chiefly for export. In Brazil, for instance, the production of rice almost doubled and that of sugar increased by about 20 per cent at the same time as sugar production in Cuba fell by about one-third. Moreover, home consumption appears to have increased for practically all of the agricultural commodities listed in Table 5. The increase was particularly marked in meat and bread grain among the foodstuffs, and in cotton and wool among the raw materials.

The relative shift in Latin-American production to the home market was caused in part by the increase in population, but it also reflected an increase in industrialization as export markets became less attractive during the depression and as the decline in foreign exchange earnings led to restrictions on imports of manufactured goods.

The war itself provided a further and still more powerful disturbance to production in Latin America for export markets in Europe, and served to stimulate production for the home market as well as the output

of mineral oil, non-ferrous metals and various other essential commodities required by the expanding war economy in North America. In Argentina in particular, further development of industry and the wartime disruption of its trade with Europe had drawn productive resources away from agriculture, with the result that the output of wheat, maize and oilseeds had declined steeply. In many of the Latin-American countries, industrialization had become a definite objective of policy aimed at reducing dependence on export markets and providing employment for rapidly growing populations. Moreover, the effects of the pre-war depression had also become more fully evident, notably in the case of coffee. By the end of the war, coffee production in Brazil had dropped to less than two-thirds of the level in the 1930's because of the fall in coffee-tree plantings during the period of excess supply.

Since the war, the policy of fostering internal development at the expense of production for overseas markets has been carried much further in Argentina than in other Latin-American countries. The production and export of agricultural commodities in Argentina have been discouraged in several ways. First, imports of tractors and farm machinery appear to have been severely limited under the Government's trade controls.<sup>1</sup> In view of the disruption of these imports during the war and their subsequent low level, it seems probable that the value of agricultural investment may now be substantially less than it was ten years ago. Second, average prices paid to farmers were considerably below world market prices, making it difficult for agricultural producers to compete with industry for labour. On the other hand, export prices charged by the Argentine Government monopoly were well above corresponding United States prices, as noted below, thus giving rise to buyer resistance in overseas markets. The effects of these policies, combined with those of the pre-war and wartime disturbances to trade, may be seen in the decline of one-third in the area sown to grain in the crop year 1949/50 compared with the five-year average for 1934/35 to 1938/39. More recently, however,

<sup>1</sup> Argentine imports of tractors and farm machinery from the United States and the United Kingdom, valued at post-war prices, amounted to about \$18 million in 1938, \$3 million in 1946, \$16 million in 1948, and less than \$2½ million in 1949. On the same basis and from the same sources, imports of these items into other Latin-American countries, taken as a group, rose from about \$8½ million in 1938 to more than \$50 million both in 1948 and in 1949.

Table 5

PRODUCTION, CONSUMPTION AND EXPORTS OF SELECTED COMMODITIES BY PRINCIPAL  
LATIN-AMERICAN SUPPLIERS

Thousands of tons and percentages

Commodity	Major supplying countries	Production			Apparent consumption <sup>a</sup>			Exports			Share of exports in production (per cent)		
		1923-1927	1934-1938	1947-1949	1923-1927	1934-1938	1947-1949	1923-1927	1934-1938	1947-1949	1923-1927	1934-1938	1947-1949
<i>Foodstuffs</i>													
Wheat and flour (grain equivalent) . . . . .	Argentina	5,748	6,128	5,793	2,103	2,778	3,773	3,645	3,350	2,020	63	55	35
Maize . . . . .	Argentina	6,294	8,224	5,638	1,559	1,697	3,649	4,735	6,527	1,989	75	79	35
Raw sugar . . . . .	Cuba, Dominican Republic, Peru, Brazil	6,089	4,730	8,295	1,188	1,403	2,120	4,901	3,327	6,175	80	70	74
Meat . . . . .	Argentina, Uruguay	2,026 <sup>b</sup>	2,789	2,968 <sup>c</sup>	1,036	1,944	2,388 <sup>c</sup>	990	845	580 <sup>c</sup>	49	30	20 <sup>c</sup>
Coffee . . . . .	Brazil, Colombia, Mexico, El Salvador, Guatemala, Costa Rica	1,320	1,985 <sup>d</sup>	1,543	211	273	12 <sup>e</sup>	1,109	1,245	1,531	84	62	99 <sup>e</sup>
<i>Industrial materials</i>													
Mineral oil (crude equivalent) . . . . .	Venezuela, Mexico, Colombia, Peru	26,940	35,310	83,800	4,090	4,200	7,950	22,850	31,100	75,850	85	88	91
Copper and ore (metal content) . . . . .	Chile, Mexico	306 /	347	455	..	55	18	..	292	437	..	84	96
Lead and ore (metal content) . . . . .	Mexico, Peru	231 /	258	258	..	..	53	..	..	205	..	..	79
Tin and ore (metal content) . . . . .	Bolivia	39 <sup>b</sup>	25 <sup>g</sup>	34	—	—	—	39	25 <sup>g</sup>	34	100	100 <sup>g</sup>	100
Cottonseed and cottonseed oil (oil content) . . . . .	Brazil, Argentina	75	129	129	64	98	113	11	31	16	15	24	12
Linseed and linseed oil (oil content) . . . . .	Argentina, Uruguay, Mexico	588	592	275	119	59	118	469	533	157	80	90	57
Raw wool . . . . .	Argentina, Uruguay	209 <sup>b</sup>	220	296	24	46	87	185	174	209	89	79	71
Raw cotton (excluding linters) . . . . .	Brazil, Peru, Mexico, Argentina	238	546	644	148	224	298	90	322	346	38	59	54

NOTE. — The figures shown in this table are not comparable with those given in Table 7. For details, see note on sources and methods.  
For the Southern Hemisphere, the production figures for agricultural crops include harvests preceding or at the beginning of the calendar years covered by the export figures.

<sup>a</sup> Apparent consumption, i.e. production minus exports with no allowance for changes in stocks or for imports.

<sup>b</sup> 1924-1927.

<sup>c</sup> 1947-1948.

<sup>d</sup> Of which 467,000 tons were destroyed in Brazil.

<sup>e</sup> The very low figure for apparent consumption is due to a considerable decline in stocks for which figures are not available.

<sup>f</sup> 1925-1929.

<sup>g</sup> 1938.

price policies in Argentina have been changed in a direction more favourable to the recovery of its agricultural production and exports. Export prices were reduced in early 1949, while prices paid to farmers were raised in early 1950 to a level at which they provide an inducement to the expansion of production.

#### *Post-war Price Levels*

Because of the various forces which had worked to discourage production for export to European markets in particular, Latin America was not in a position to meet the increased demand for food and raw materials in the early post-war years. The downward trend of production for a number of important goods could not immediately be reversed, and the great increase in economic activity and national income in the United States also directed a greatly expanded demand from that quarter towards many Latin-American products. The prices of Latin-American exports therefore soared and in 1948 averaged in terms of dollars more than three times the 1938 level (even as much as 5 times the 1938 price for some products, as shown in Table 4), but the volume of exports to Europe remained much lower than before the war.

Table 6 gives average unit values, for pre-war and post-war years, of some of the major Latin-American products imported into leading western European countries along with similar data for the same products imported from other major suppliers. It will be seen that, in 1948, Latin-American prices were in many cases much higher than those of imports from other sources, whereas in 1928 prices had been on about the same level, account being taken of differences in quality, and in the depression year 1938 Latin-American prices were even lower than those for imports from other countries, notably in the case of sugar, coffee, butter and frozen lamb. It will also be seen, however, that the price differential in 1948 was greatest for grain, especially wheat, and for beef and butter—i.e. for products imported mainly from Argentina and Uruguay among the Latin-American

sources of supply. For coffee and sugar, the price difference which had developed in 1938 to the detriment of Latin America had disappeared (although the figures for the first half of 1950 indicate that, after devaluation, coffee and sugar from Latin America had become more expensive than the same products imported from other sources). No significant divergences appear to have developed for cocoa and cotton prices in any of the years covered by the table, the differences in absolute prices corresponding to differences in quality.<sup>1</sup>

Compared with the post-war level of Latin-American export prices, the prices of imported manufactures had increased much less, although they had increased more from Europe than from the United States. Latin-American countries accordingly benefited by a great improvement in their terms of trade, reversing the sharp deterioration experienced during the pre-war depression. In addition to this increase in the real value of their current export earnings, many of the Latin-American countries had been able to accumulate substantial reserves of gold and dollars and, especially in the case of Argentina, of sterling as well.

In 1949, the relatively disadvantageous price position of Latin America and Europe in each other's markets tended to be corrected as the result of the weakening of commodity markets and currency devaluation. The setback in economic activity experienced in the United States and in some European countries at that time and the tendency for shortages to give way to surpluses in many goods brought a decline in demand for Latin-American exports and a reduction in their prices (extending to seven out of the fifteen products covered by Table 4). The price fall gained strength in the course of the year and, on the average for the first half of 1950, embraced most of the remaining products, with the exception of coffee and wool. The effects were most severe in the case of Argentina, where prices had been most seriously out of line, even though the quantities

<sup>1</sup> For other important products not included in Table 6—such as non-ferrous metals, mineral oil and wool—there has been no discrepancy in prices as between Latin-American and other suppliers.

#### *Footnotes to Table 6 on opposite page:*

NOTE. — The unit values are derived from European statistical sources.

<sup>a</sup> The discrepancy in the change from 1948 to January-September 1949 in the unit value of maize imports by the United Kingdom from Argentina compared with similar imports by the Netherlands and Switzerland is explained by the fact that the British imports in 1949 were concentrated in the early part of the year when prices were relatively high whereas imports from the other two countries reflect the sharp fall in price which occurred later in the year.

<sup>b</sup> The unit values are not exactly comparable between countries and years since they refer to different qualities imported.



Table 6. UNIT VALUES OF SELECTED FOREIGN IMPORTS FROM LATIN AMERICA AND THE CARIBBEAN  
Dollars per ton in current prices

Commodity	Major supplying countries	UNITED KINGDOM					NETHERLANDS					SWITZERLAND					
		1928	1938	1948	1949 Jan.-Sept.	1950 Jan.-June	1928	1938	1948	1949 Jan.-Sept.	1950 Jan.-June	1928	1938	1948	1949 Jan.-Sept.	1950 Jan.-June	
Wheat	Argentina . . . . .	54	42	138	—	—	52	41	—	—	—	57	43	216	212	91	
	Canada . . . . .	52	37	80	95	80	50	37	122	—	—	61	41	169	82	94	
	United States . . . . .	53	41	117	108	76	50	37	119	106	78	57	41	126	113	112	
	U.S.S.R. . . . .	—	31	—	—	—	—	31	—	107	—	—	—	173	—	—	
Oats	Argentina . . . . .	48	29	112	—	—	47	27	94	—	—	50	32	137	103	65	
	Canada . . . . .	48	33	—	—	—	47	36	84	—	—	50	38	116	75	68	
Barley	U.S.S.R. . . . .	—	—	124	—	49	—	—	—	—	—	—	—	126	—	—	
	Argentina . . . . .	50	35	111	—	—	49	35	137	77	71	54	37	138	109	77	
	Canada . . . . .	41	32	—	—	—	—	—	—	—	—	48	38	97	82	69	
	United States . . . . .	52	43	—	—	—	44	30	79	75	69	48	33	123	79	79	
Maize <sup>a</sup>	U.S.S.R. . . . .	—	24	128	—	56	—	—	—	—	—	—	—	125	77	—	
	Argentina . . . . .	43	29	109	131	68	42	29	115	92	65	49	34	124	89	73	
	United States . . . . .	45	30	—	71	66	44	29	76	73	63	—	36	—	81	71	
	U.S.S.R. . . . .	—	—	129	—	56	—	—	—	—	64	—	—	—	—	—	
Raw sugar	Cuba . . . . .	59	26	120	104	103	57	28	110	105	106	64	32	142	113	115	
	Dominican Republic . . . . .	60	25	120	104	103	—	—	—	—	—	—	—	—	—	—	
Frozen beef	Australia . . . . .	74	45	126	125	94	—	—	—	—	—	—	—	—	—	—	
	British West Indies . . . . .	—	—	134	128	96	—	—	—	—	—	—	—	—	—	—	
	Czechoslovakia . . . . .	60	—	—	—	—	—	—	—	—	—	58	30	111	—	—	
	Mauritius . . . . .	82	61	129	128	97	—	—	—	—	—	—	—	—	—	—	—
Frozen lamb	Argentina . . . . .	226	176	279	299	295	203	145	408	472	350	—	—	—	—	—	
	Uruguay . . . . .	228	179	295	308	307	—	—	—	—	—	—	—	—	—	—	—
	Australia . . . . .	205	175	256	278	216	—	—	—	—	—	—	—	—	—	—	—
	New Zealand . . . . .	197	164	217	249	191	—	—	—	—	—	—	—	—	—	—	—
Coffee	Argentina . . . . .	337	273	328	342	—	—	—	—	—	—	—	—	—	—	—	—
	Chile . . . . .	365	279	326	325	340	—	—	—	—	—	—	—	—	—	—	—
	Australia . . . . .	367	287	368	393	299	—	—	—	—	—	—	—	—	—	—	—
	New Zealand . . . . .	416	316	414	464	347	—	—	—	—	—	—	—	—	—	—	—
Cocoa <sup>b</sup>	Brazil . . . . .	501	181	487	499	713	489	159	707	625	737	463	163	522	545	886	
	British East Africa . . . . .	621	297	461	468	659	—	—	—	—	—	—	—	807	760	1,124	
Raw cotton (excluding linters) <sup>b</sup>	Brazil . . . . .	283	134	960	638	496	279	128	912	602	546	310	130	855	765	542	
	Ecuador . . . . .	377	199	—	—	—	378	198	902	495	—	374	205	946	695	537	
	British West Africa . . . . .	279	115	793	556	548	276	120	926	643	479	315	147	885	765	539	
	Brazil . . . . .	549	216	787	806	697	—	—	757	868	795	—	258	774	747	—	—
Raw cotton (excluding linters) <sup>b</sup>	Peru . . . . .	552	305	1,164	1,191	1,012	—	662	983	1,203	—	559	322	951	994	982	—
	Egypt . . . . .	748	328	1,681	1,635	1,197	—	306	1,372	1,379	1,137	724	343	989	1,259	1,075	—
	India . . . . .	416	187	564	583	608	—	173	516	570	534	—	203	635	633	561	—
	Pakistan . . . . .	—	—	—	744	678	—	—	—	609	603	—	—	—	—	—	—
	United States . . . . .	499	230	849	822	794	367	237	834	820	777	392	203	635	604	595	—
	—	—	—	—	—	—	489	—	—	—	—	490	247	820	817	798	—
	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

For notes, see preceding page.

available for export from that source were smaller in 1949 and 1950 than in 1948. Meat was the only important instance where Argentine export prices failed to descend to the levels charged by other suppliers.

In over-all terms, the decline in the dollar price of Latin-American exports to Europe from 1948 to the first half of 1950 was in the order of 20 to 25 per cent, or roughly the same as that which occurred on the side of European exports through devaluation.

### 3. EUROPE'S IMPORTS FROM LATIN AMERICA SINCE THE WAR

#### *Decline from Pre-war Levels*

It has been seen that, in several major products, the total amounts available for export from Latin America have been smaller since the war than they were in the inter-war period, partly because of decreased production, as in wheat, maize and linseed, and partly because of increased home consumption, as in the case of meat. Latin-American sources, of which the River Plate countries were the most important for the products mentioned, did not, therefore, contribute towards meeting the abnormally large demand for foodstuffs in the early post-war years in Europe resulting from the lowered production of its own agriculture. As may be seen in Table 7, sugar, coming primarily from the Caribbean area, was the only major food supplied in appreciably increased amount. For wheat, Europe had to rely much more on other sources of supply, and for maize and meat it had to satisfy itself with imports no greater, or even appreciably lower, than before the war. For one of the important raw materials—linseed—total supplies were also much smaller.<sup>2</sup>

Some of the other commodities covered in the table are characterized, not by a decline in total exports but by a marked shift away from Europe to other destinations. This shift has occurred for a variety of reasons. For coffee, many European countries felt they could not spend dollars for what they treated as a non-essential import: Germany drastically cut

As measured over this period, there was thus no significant shift in the terms of trade to the advantage of either side,<sup>1</sup> although they remained distinctly less favourable to Europe than in the immediate pre-war years. Since the middle of 1950, however, developments in the Far East have accelerated the rise in industrial activity in North America and in Europe, intensifying demand for raw materials from Latin America as well as other sources and producing a renewed marked deterioration in Europe's terms of trade.

its consumption, severe rationing was maintained in Scandinavia and the Netherlands, and France limited its imports to the quantities it could obtain from its own overseas territories. At the same time, North-American demand was very much greater than before the war. The trade in textile fibres also reflected the absence of German demand, which accounted for almost one-half of Europe's cotton imports and more than one-fifth of its wool imports from Latin America in 1938, and here also an increasing share of the exports of these products from Latin-American countries found outlets in the United States or in other Latin-American countries. For non-ferrous metals, Europe succeeded in curtailing its demand, thanks to the increased use of scrap and the shift to aluminium,<sup>3</sup> and thus dispensed largely with dollar imports from Chile and Mexico. The bulk of Chile's exports of copper shifted to the United States, while Bolivian tin ore, formerly refined in Europe, was exported in large part for smelting in the new plants established in the United States during the war.<sup>4</sup>

As a result of these changes, Latin America's share in Europe's overseas imports declined for most of the goods shown in Table 7, and at the same time Europe's share in the total exports of Latin-American countries dropped for most commodities.

#### *Further Decrease in 1949*

Most of the major commodities exported from Latin America to Europe declined from 1948 to 1949, some of them very sharply, although there were moderate increases in exports of coffee, linseed oil and hides. The decline in the volume of exports,

<sup>1</sup> Compared, however, with prices ruling just prior to devaluation (and thus taking account of the fall in prices of primary products already experienced in the immediately preceding months) devaluation was followed by a shift in the terms of trade to Europe's disadvantage.

<sup>2</sup> The exports of oilseeds virtually ceased after the war because all of the production was processed in Latin America. Latin America, on the other hand, started to export oil but in much smaller quantities than the previous exports of seeds (in terms of oil content).

<sup>3</sup> See *Economic Bulletin for Europe*, Vol. II, No. 1, page 24.

<sup>4</sup> Latin-American exports of oil to Europe will be discussed later in the section dealing with the balance of payments.

Table 7

PRINCIPAL EXPORTS FROM LATIN AMERICA TO EUROPE

Thousands of tons and percentages

Commodity	Major supplying countries	EXPORTS TO EUROPE (MAJOR SUPPLYING COUNTRIES ONLY)					SHARE OF LATIN AMERICA IN EUROPE'S TOTAL OVERSEAS IMPORTS <sup>a</sup>		
		Amount			Per cent of total exports		Per cent		
		1935-1938	1948	1949	1935-1938	1948	1935-1938	1948	1949
<b>Foodstuffs</b>									
Wheat and flour (grain equivalent)	Argentina	1,817	1,757 <sup>c</sup>	990 <sup>c</sup>	181	67	23	11	7
Maize	Argentina	5,555	2,286	1,060	80	87	74	52	23
Raw sugar <sup>c</sup>	Cuba, Dominican Republic, Peru, Brazil	1,250 <sup>d</sup>	3,035	2,134	99	36 <sup>d</sup>	44	76	58
Meat	Argentina, Uruguay, Brazil	664 <sup>e</sup>	434	395 <sup>b</sup>	130	92 <sup>e</sup>	47 <sup>e</sup>	40	38 <sup>b</sup>
Coffee	Brazil, Colombia, Mexico, El Salvador, Guatemala, Costa Rica	451	241	316	100	36	82	60	71
<b>Industrial materials</b>									
Copper and ore (metal content)	Chile, Mexico	192 <sup>*</sup>	84	65	142	66	22	10	9
Lead and ore (metal content) <sup>b</sup>	Mexico, Peru	..	28	21	25	..	..	8	6
Tin and ore (metal content)	Bolivia	25 <sup>e</sup>	17	14	..	100 <sup>e</sup>	..	..	..
Linseed (oil content) <sup>b</sup>	Argentina, Uruguay, Mexico	262 <sup>e</sup>	3	13	..	..	..	..	..
Linseed oil <sup>b</sup>	Argentina, Uruguay, Mexico	—	54	64	230	..	..	..	..
Nitrate <sup>b</sup>	Chile	340 <sup>e</sup>	160	83	80	45	..	..	..
Raw wool	Argentina, Uruguay	136 <sup>d</sup>	72	46	100	78 <sup>d</sup>	20	11	6
Raw cotton (excluding linters)	Brazil, Peru, Mexico, Argentina	214	257	157 <sup>*</sup>	108	74	14	21	14
Cattle hides <sup>b</sup>	Argentina, Uruguay, Brazil	95 <sup>e</sup>	120	134	98	53 <sup>e</sup>	..	..	..

NOTE. — The figures shown in this table are not comparable with those given in Table 5. For details, see note on sources and methods.

<sup>a</sup> The data relate to European imports from the Latin-American Republics as a whole and not from the major supplying countries only. See note on sources and methods.

<sup>b</sup> Imports of selected European countries only.

<sup>c</sup> Based on data for harvest year.

<sup>d</sup> 1934-1938.

<sup>e</sup> 1938.

combined with the sharp recession in prices, reduced total receipts from exports to Europe from about \$2,300 million in 1948 to less than \$1,600 million in 1949. Latin-American imports from Europe, on the other hand, continued at about the same level. The balance of trade in favour of Latin America was thus sharply reduced, and payments relationships between the two areas were profoundly altered. The change, however, was narrowly concentrated on the Latin-American side, Argentina alone accounting for about four-fifths of the decline in exports to Europe. Exports from Cuba and Brazil to Europe accounted, in each instance, for about one-tenth of the total decline, while exports from Uruguay and Mexico increased. Among the European importing countries, the decrease was much more widely distributed, although the United Kingdom alone accounted for 30 per cent of the drop, which occurred chiefly in its trade with Argentina.

The decline of Argentine exports to Europe between 1948 and 1949 was mainly in wheat and maize, as the result of very poor harvests. At the same time, the recovery in wheat production in Europe permitted a decline in total overseas imports, while in maize there was a shift to other sources of supply, chiefly in the United States. Argentine wool exports to Europe were adversely affected to some extent by decreased production and increased consumption at home, but the principal factor appears to have been increasing buyer resistance to Argentine prices and a resulting shift to the Sterling Area, imports from which rose substantially over the same period.

Among other Latin-American countries, the large decline in exports from Cuba to Europe was entirely in sugar, attributable to the recovery in European

production and increased availabilities from non-dollar overseas sources, while prices also receded. In Brazilian exports, the decline occurred in a variety of commodities, including sugar, cocoa and oilseeds. Exports of these products to Europe had derived some stimulus from low Brazilian prices in the 1930's, but their competitive position in European markets deteriorated in 1949 with the general rise in Brazilian prices accompanying the coffee boom. Despite an increase in production, Brazilian cotton exports to Europe declined for the same reason, and European countries shifted their purchases to other suppliers, mainly the United States.<sup>1</sup>

#### *Trends in 1950*

The total dollar value of European imports from Latin America shows a further small decline in the first half of 1950 compared with the same period of 1949,<sup>2</sup> but this is due to the steep decline in prices over this period. Measured in constant prices, there was an increase of about 15 per cent resulting from a combination of divergent movements. The volume of trade in linseed oil, wheat, copper and meat increased substantially, but this situation is likely to be temporary as far as Argentina is concerned, since drought has caused a second bad harvest in 1949/50 in that area. Since the middle of the year, growing international tension has strengthened European demand for Latin-American exports, especially for raw materials, but this demand is in competition with that of the United States for the same products. While the dollar value of European imports from Latin America is thus rising, it remains uncertain whether or not any sustained increase will be achieved in the volume of supplies from that source.

### 4. LATIN-AMERICAN IMPORTS AND IMPORT POLICIES

#### *Commercial Policy and the Level of Trade*

As in Europe, the public authorities in most Latin-American countries have played an increasingly important role in determining both the direction and the composition of imports. During the pre-war depression, a number of these countries attempted to isolate their economies from fluctuations in the export market and followed domestic policies designed to stimulate economic development at home and to maintain internal purchasing power. These policies

commonly entailed the institution of foreign exchange controls and import licensing to prevent the demand for foreign goods from exceeding the proceeds from

<sup>1</sup> ECA authorizations for cotton imports by western European countries from the United States rose from \$285 million in 1948 to \$576 million in 1949. Moreover, a factor contributing to the larger Brazilian exports in earlier post-war years as compared with 1949 appears to have been a considerable decrease in cotton stocks.

<sup>2</sup> This decline is largely due to a fall in Spanish imports from \$72 million to \$24 million, which more than offset increases in British, French and Italian imports.



exports, which were much reduced by the depression. The geographic distribution of trade also came under more direct control, since an important part of the exchanges with Europe was covered by bilateral clearing agreements.

During the war, the nature of the problem completely changed, since Latin-American countries developed large export surpluses, chiefly with the United States, and built up considerable reserves, while these export surpluses also created or reinforced inflationary conditions at home. In these circumstances, import restrictions were very much relaxed and in 1947, when goods for export became plentiful in the United States, the Latin-American countries raised the volume of their imports from that source to approximately four times the 1936-38 level. At that time, European countries still had only limited export availabilities, and imports from the United States made up two-thirds of total Latin-American imports in 1947 compared with only one-third in 1938. Despite a high level of exports and improved terms of trade, Latin America incurred in 1947 a current account deficit of more than \$2 billion with the United States, entailing a heavy drain on reserves. There followed a reimposition or strengthening of import controls with the exception of some of the northern Latin-American countries, notably Cuba and Venezuela. Latin-American imports from the United States thereupon fell by \$600 million from 1947 to 1948 and by a further \$500 million from 1948 to 1949. During the same period, from 1947 to 1949, imports from Europe rose by \$400 million.

Thus, European exporters were aided in their effort to regain their footing in the Latin-American market by the more severe restrictions applied against dollar imports. They had, however, to contend with other difficulties. As industrialization assumed increasing importance in Government policy, exchange and import controls were directed not only towards limiting the value and governing the direction of imports, but also towards determining their commodity composition. These controls have been partly designed to limit imports of goods competing with domestic industries, in some instances taking the form of outright prohibition of imports of goods manufactured at home, while in other instances the issuance of import licences was made contingent upon the purchase of a given proportion of the same goods from domestic suppliers.

A still more pronounced feature of Government control over imports in the Latin-American countries is the priority given to capital equipment. This policy is clearly indicated by the quotas established in Argentina's trade agreement with western Germany for the period July 1950 to June 1951 as summarized in the following figures given together with comparable data on actual imports by Argentina from Germany in 1938. The actual results of trade in 1950/51 may of course be rather different, but the proposed distribution as foreseen in the agreement is indicative of the increased role of capital goods and the diminished importance of consumers' goods in Argentine imports.

Commodity Group	Millions of dollars in 1950 prices	
	1938 (actual trade)	1950/51 (trade agreement)
Foodstuffs and raw materials	0.3	2.0
Manufactures :		
Capital goods . . . . .	60.9	111.4
Consumers' goods . . . . .	23.2	10.5
Total . . . . .	84.4	123.9

#### *Increased Imports of Capital Equipment*

The greatly increased share of capital goods in the imports of Latin-American countries from Europe and the United States, the principal overseas suppliers both before and since the war, can be seen in Table 8, which shows imports of metals and engineering products, as well as those of other manufactures and of food and raw materials. Metals and engineering products rose from 43 per cent of the total in 1938 to 57 per cent in 1949 ; even in 1950, after imports from the United States were severely curtailed, they remained at over twice the pre-war level. It is also in this category of goods that European exports fared best. Despite the virtual disappearance of German exports, which before the war accounted for nearly half of Europe's total supply to Latin America in this category, European exports have risen substantially, and European countries other than Germany actually increased their share of the market. The bulk of the expansion has nevertheless taken place in supplies from the United States, and this is even more marked in the other two categories, where imports of American goods rose considerably, while imports from Europe actually declined from 1938 to 1948 and have shown little recovery since then. It is also in capital goods that the greatest decline in United States exports from 1948-50 has occurred while their exports in the other categories were more nearly maintained.

Table 8

EXPORTS FROM EUROPE AND THE UNITED STATES TO SELECTED LATIN-AMERICAN REPUBLICS BY THREE MAJOR COMMODITY GROUPS  
*Millions of dollars in post-war prices<sup>a</sup> and percentages*

Commodity group and exporting country	Country	Year	FOOD AND RAW MATERIALS			METALS AND ENGINEERING PRODUCTS			ALL OTHER MANUFACTURES <sup>b</sup>			TOTAL		
			Europe <sup>c</sup>	of which Germany <sup>d</sup> (per cent)	United States	Europe <sup>c</sup>	of which Germany <sup>d</sup> (per cent)	United States	Europe <sup>c</sup>	of which Germany <sup>d</sup> (per cent)	United States	Europe <sup>c</sup>	of which Germany <sup>d</sup> (per cent)	United States
Argentina		1938	87	8	24	220	32	109	275	15	22	582	20	155
		1948	55	—	30	360	—	279	180	—	69	595	—	378
		1949 <sup>e</sup>	52	—	8	355	—	107	164	—	18	515	—	133
		1950 <sup>f</sup>	40	10	8	355	2	115	105	5	28	500	3	151
Uruguay		1938	8	13	3	25	68	5	36	28	2	69	41	10
		1948	4	—	6	28	1	43	20	1	11	52	1	60
		1949 <sup>e</sup>	2	—	6	31	2	23	43	1	7	76	1	36
		1950 <sup>f</sup>	5	—	4	47	15	19	45	2	7	97	9	30
Brazil		1938	55	34	30	130	55	70	93	41	15	278	46	115
		1948	44	1	95	122	1	330	88	1	71	254	1	496
		1949 <sup>e</sup>	45	4	57	172	4	302	102	2	71	319	3	430
		1950 <sup>f</sup>	52	3	34	222	10	184	102	4	50	376	8	268
Chile		1938	5	24	15	38	71	23	43	47	10	86	56	48
		1948	3	—	9	17	—	70	11	1	26	31	—	105
		1949 <sup>e</sup>	—	—	20	18	4	105	18	2	23	36	3	148
		1950 <sup>f</sup>	—	—	11	23	15	54	21	8	10	44	11	75
Peru		1938	1	80	6	14	79	17	21	67	8	36	72	31
		1948	—	—	16	4	3	33	4	—	17	8	1	66
		1949 <sup>e</sup>	—	—	21	9	8	50	8	4	21	17	6	92
		1950 <sup>f</sup>	—	—	19	18	12	36	18	3	11	36	8	66
Colombia		1938	3	37	12	20	66	41	45	44	23	68	50	76
		1948	3	—	22	23	1	112	22	1	61	48	1	195
		1949 <sup>e</sup>	1	—	26	17	12	100	22	1	53	40	5	179
		1950 <sup>f</sup>	3	7	37	34	39	128	46	12	75	83	23	240
Cuba		1938	4	28	76	4	68	29	24	24	61	32	31	166
		1948	10	—	161	4	3	145	18	—	132	32	—	438
		1949 <sup>e</sup>	5	—	144	4	10	107	17	1	111	26	2	362
		1949 <sup>f</sup>	3	7	132	9	31	113	24	5	151	36	12	396
Mexico		1938	5	14	28	20	74	54	34	61	31	59	61	113
		1948	8	1	94	14	4	294	20	1	123	42	2	511
		1949 <sup>e</sup>	2	—	82	8	16	253	20	4	117	30	7	452
		1950 <sup>f</sup>	3	—	96	15	27	234	27	7	113	45	13	443
Venezuela		1938	7	26	24	28	52	60	36	41	14	71	44	98
		1948	7	6	91	55	1	300	35	1	123	97	1	514
		1949 <sup>e</sup>	9	18	93	66	5	337	39	2	118	114	5	548
		1950 <sup>f</sup>	10	20	87	65	13	214	44	5	110	119	11	411
Total of countries listed		1938	175	19	218	499	49	408	607	30	186	1,281	36	812
		1948	134	1	524	627	1	1,606	398	—	633	1,159	1	2,763
		1949 <sup>e</sup>	116	3	457	623	3	1,384	432	1	539	1,171	2	2,380
		1950 <sup>f</sup>	116	7	428	788	9	1,097	432	6	555	1,336	8	2,080

<sup>a</sup> The 1938 figures are given in 1948 prices; 1948 and 1949 figures in current prices, and 1950 figures in 1949 prices.  
<sup>b</sup> Included are specified items accounting for less than 10 per cent of total trade, in most instances, with the exception of Uruguay where 20 per cent of the imports was unspecified in 1949.  
<sup>c</sup> Comprising countries accounting for at least 90 per cent of Europe's exports; i.e. the countries listed in Table 9.  
<sup>d</sup> The 1938 data refer to the whole of the pre-war territory; the post-war figures refer to the three western zones only.  
<sup>e</sup> Figures for 1949 are preliminary estimates.  
<sup>f</sup> Figures for 1950 are preliminary estimates.

As a result of these changes, a complete reversal of the pre-war trade structure has taken place ; whereas before the war capital goods accounted for less than 40 per cent of total imports from Europe, they rose in 1950 to nearly 60 per cent of the total. If Germany is excluded, the proportion for other European countries rose from 31 to 58 per cent. On the other hand, in imports from the United States, capital goods accounted for approximately 50 per cent of the total both before and after the war. This change in the structure of trade is largely due to the fact that the countries which had a sufficiently strong exchange position to obtain most of their imports from the United States also permitted more freely the importation of consumption goods. Europe, on the other hand, carried most of its trade with countries where severe import restrictions were placed both against dollar goods and against the so-called non-essentials.

The preponderance of American goods has been especially in evidence in the import markets of the major trading nations of northern Latin America—Cuba, Venezuela, Mexico and Colombia. In these countries the dollar situation remained relatively easy in the post-war years. Fewer import restrictions were imposed, and as a result these countries not only experienced the greatest rise in the total value of their imports, but also allowed considerable increases in imported raw materials and consumption goods. While European countries, apart from Germany, succeeded in somewhat increasing the volume of their sales at least of capital goods, thanks to the greatly expanded demand, they have not been able to regain their previous share in those markets. Some progress, however, has been made from 1948 to 1950. It is also in that area that Germany, which before the war accounted for nearly 50 per cent of European sales, has recently made its greatest efforts to regain a footing.

In Brazil, Peru, Chile and Uruguay the volume of imports rose less. Since more acute balance-of-payments difficulties developed, more severe restrictions were imposed, which reduced the share of American goods in these markets and reinforced the shift towards capital goods. In this area, too, European exporters made substantial progress between 1948 and 1950, and European countries generally succeeded in improving their pre-war position, although without replacing German exports, which had occupied a particularly important position in Peru and Chile.

Argentina presents the extreme case where trade did not rise and, owing to rigid controls, the increase in imports of capital goods was achieved at the expense of the trade in food, raw materials and other manufactures, which in 1950 has fallen to half the 1938 level. Here also, American exporters had by 1950 lost all the ground they had gained in the immediate post-war years.

#### *Imports since the Devaluation*

From the behaviour of European exports to Latin-American countries as a whole in the first half of 1950 compared with the first nine months of the preceding year, it would appear that the change in the competitive position of European and United States suppliers following the fairly general devaluation of European currencies in September 1949 has had only limited effects. Of the three major commodity groups, it is only in metals and engineering products that a significant shift away from the United States in favour of Europe took place. In other manufactures, as well as in food and raw materials, the changes were minor.

It must be remembered, however, that, in addition to the relative change in European and United States prices resulting from the currency realignment in 1949, trade during this period was also affected by other factors acting in opposite directions. Although the current dollar position of many Latin-American countries was improving in the beginning of 1950, most of the existing restrictions remained in force and in some cases, such as Brazil, were applied even more severely. On the other hand, at least two of the major countries in Latin America were also short of European currencies as well. As is shown in Table 9, the difficulties of Argentina, which will be discussed in more detail in the following section, actually resulted in a decrease in the volume of imports from Europe, while in Brazil shortages of sterling and Belgian francs limited the possibility of import expansion. Imports into Brazil from the other European countries appear to have responded to the relative decline in the dollar export prices following devaluation.<sup>1</sup>

<sup>1</sup> The decline in dollar export prices between the third quarter of 1949 and the second quarter of 1950 was of the order of 30 per cent for the United Kingdom, Germany and Norway, 20 per cent for France, Belgium, the Netherlands and Sweden, and only 6 per cent and 9 per cent for Switzerland and Italy respectively. (See "European Economic Statistics" Table XIV.)

Table 9

TOTAL EXPORTS FROM SELECTED EUROPEAN COUNTRIES AND THE UNITED STATES  
TO LATIN AMERICA BEFORE AND AFTER DEVALUATION

Millions of dollars in pre-devaluation 1949 prices  
Annual rates for first 9 months of 1949 and for first 6 months of 1950

Importing country Exporting country	Argentina		Brazil		Seven Latin-American countries <sup>a</sup>		Total	
	1949	1950	1949	1950	1949	1950	1949	1950
Belgium-Luxembourg . . . . .	39	15	46	48	42	40	127	103
Finland . . . . .	17	12	..	..	..	..	17	12
France . . . . .	67 <sup>b</sup>	174 <sup>b</sup>	21	30	13	19	101	223
Germany : western zones . . . .	2	15	10	29	14	58	25	102
Italy . . . . .	147	87	22	14	26	33	195	134
Netherlands . . . . .	11	9	7	29	7	9	25	37
Norway . . . . .	..	..	8	15	..	..	8	15
Portugal . . . . .	..	..	5	2	..	..	5	2
Sweden . . . . .	23	14	30	55	26	36	79	105
Switzerland . . . . .	18	16	34	22	39	38	91	76
United Kingdom . . . . .	192	158	136	142	165	222	493	522
Total of countries listed . .	516	500	319	376	332	455	1,166	1,331
United States . . . . .	132	151	431	268	1,816	1,660	2,379	2,079

NOTE. — The 1950 values have been deflated by the use of unit values in national currencies of the total exports of each European country, converted to dollars at the pre-devaluation exchange rates.

<sup>a</sup> Chile, Colombia, Cuba, Mexico, Peru, Uruguay, Venezuela.

<sup>b</sup> As shown in the following section, French exports to Argentina rose very steeply in September 1949 and remained at a high level until March 1950. This movement is not reflected in the 1949 figure based on the first 9 months of the year but weighs heavily in the figure for the first 6 months of 1950.

In the other Latin-American republics, imports rose substantially from the United Kingdom, France, Germany and Sweden, while they declined from Belgium and Switzerland, the currencies of which were also hard for some of their partners.

Among the countries shown in Table 8, Peru, Colombia, Cuba and Mexico registered the greatest

increases. The progress made in the last three countries is particularly encouraging since it shows that European exporters are increasing their sales effort in the northern Latin-American republics, where relatively free trading conditions exist and where there still exists wide scope for Europe to enlarge its present markets.

# 5. FLUCTUATIONS IN TRADE WITH ARGENTINA

Remarkably wide fluctuations have occurred in the trade of many European countries with Argentina since the war, as may be seen in Chart 2. Throughout the post-war period, the situation in Argentina has been one of growing domestic inflation and a consequent over-valuation of the peso. The cost of domestic production in Argentina became progressively greater than that of imported goods from almost any source, and the backlog of internal purchasing power provided a ready market, although for imported

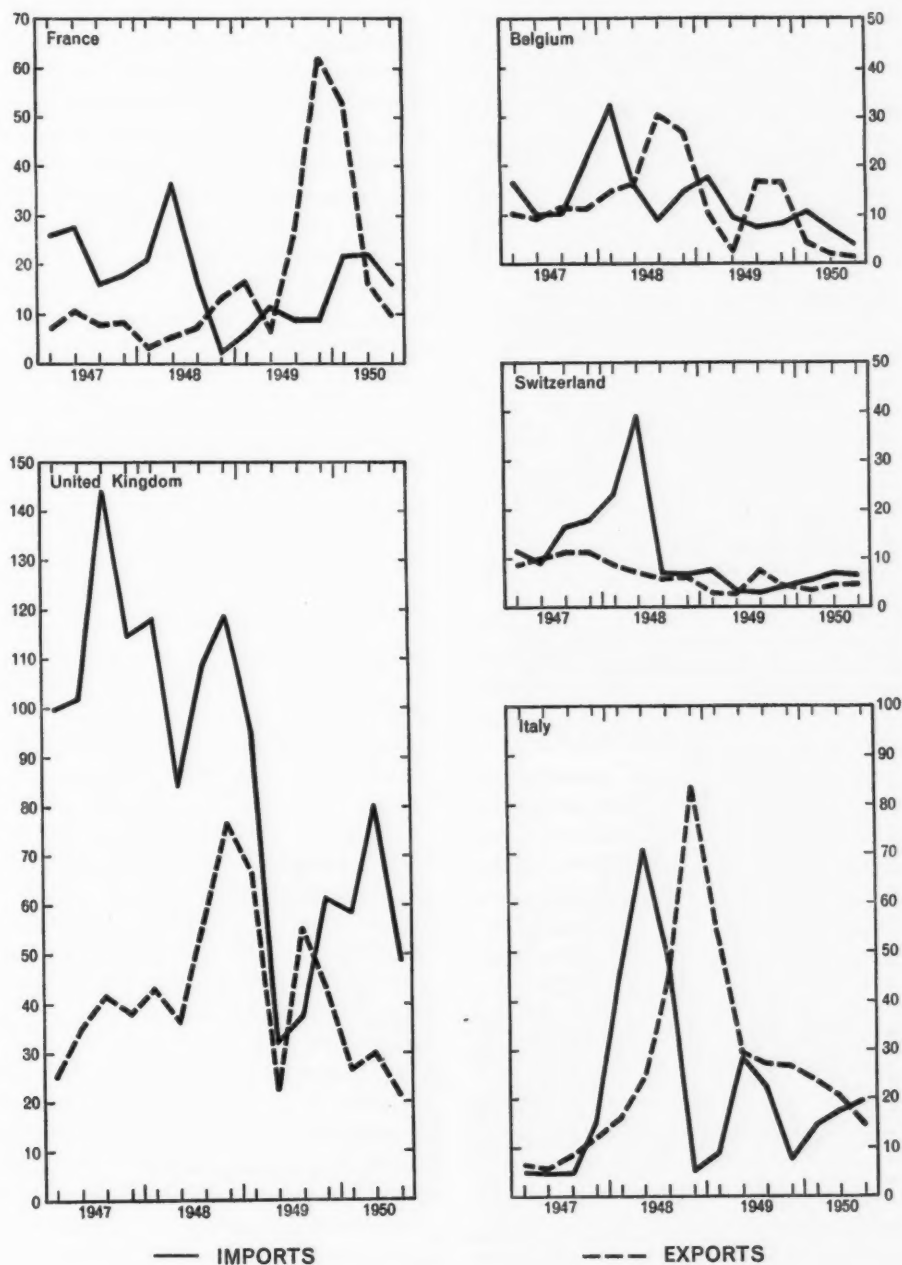
goods it was limited, of course, by the country's foreign exchange availabilities. Within this limit, the issuance of import licences by the public authorities has been the primary determinant of the volume, composition and source of imports. Since the export of the main commodities produced for foreign markets was also vested in the hands of a Government agency, a study of Argentina's trade with Europe is largely a review of the official policies pursued towards its various trade partners.



Chart 2

TRADE OF FIVE EUROPEAN COUNTRIES WITH ARGENTINA

Millions of dollars in current prices, f.o.b.



NOTE. — Approximate f.o.b. values for imports have been obtained by a uniform deduction of 12.5 per cent from the recorded c.i.f. figures.

### *The Period of Surpluses*

Argentina found itself after the war in a strong bargaining position, since, despite the decline in its agriculture, it was able to supply substantial quantities of foodstuffs and other basic commodities urgently needed by European countries, while their own production was low and their export capacity limited by domestic requirements. While, in this situation, Argentina's export prices were placed at levels far above those charged by other principal suppliers, it followed a very liberal credit policy during this early post-war period. Large credits were extended to several European countries, notably France, Italy, Spain and the Netherlands, and important "swing credits"<sup>1</sup> were also provided in agreements with Belgium and Italy. Argentina thus itself financed the large export surpluses to Europe which developed at that time.<sup>2</sup>

As early as 1947, however, when European export capacity began to recover, Argentina placed severe import restrictions on goods considered non-essential, which particularly affected the exports of France and Switzerland. These measures tended to increase the accumulation of European currencies at a time when Argentina itself was already beginning to experience heavy pressure on its dollar resources. It accordingly endeavoured to obtain the greatest possible benefit from its surpluses in Europe. Settlement in convertible currency was requested from the two European countries in the strongest balance-of-payments position—Belgium and Switzerland. While Belgium agreed to pay in dollars its debt of approximately \$46 million, the Swiss refused to do so on the ground that Argentina was not effecting releases for the financial payments to Switzerland called for by the agreement of January 1947. While the deadlock on this issue continued, Argentina severely restricted the issuance of licences for imports from Switzerland

<sup>1</sup> I.e. reciprocal credits which may be drawn upon by either partner on the other, depending upon the balance of trade and other payments.

<sup>2</sup> The trade figures plotted in Chart 2 tend to overstate the payments' surplus or understate the payments' deficit of Argentina since it had considerable payments to make on non-trade items. For instance, Switzerland's investment income in Argentina amounted to some \$10 million annually (although these earnings were not in fact transferred) and immigrants' remittances to Italy, swollen by some illicit exports of capital, rose to almost \$30 million in 1949. In its relations with the United Kingdom, Argentina required sterling not only to cover financial transfers, but also to pay for oil purchased from British companies and to cover its import surplus in trade with the overseas Sterling Area.

and thus accumulated from its favourable balance of trade additional Swiss currency which it was not permitted to use outside Switzerland. This situation lasted until a new agreement was finally reached in August 1950, apparently solving for the time being the outstanding problems between the two countries.

Argentina had accumulated large sterling balances in the United Kingdom during the war and, after the suspension of the short-lived sterling convertibility in mid-1947 made it clear that no further transfers into hard currency could be obtained from that source, Argentina sought other means of utilizing its sterling resources. Under the Andes Agreement of 1948, Argentina applied the bulk of its current sterling surplus to re-purchase British investments in the country and for this purpose even reduced to some extent its previously accumulated sterling balances held as part of its monetary reserves.

### *The Period of Deficits*

Argentina's position in European markets generally remained strong in the early part of 1948, but changed radically with the harvesting of the relatively good European grain crops in that year. Belgian imports from Argentina had already fallen in the first quarter of 1948, and the decline became fairly general among European countries in the third quarter. In Argentina's trade with the United Kingdom, however, increased shipments of meat offset the virtual cessation of wheat exports at that time. During 1949, Europe's grain supply situation improved further, while Argentina had suffered a bad harvest and continued to keep its prices above those prevailing in the world market. Argentine exports to Europe thus remained low, and its earnings of European currencies were small compared with receipts up to the middle of 1948.

It was nevertheless at the time of the deterioration in its trade position with Europe that the most remarkable development occurred in Argentina's import policy and restrictions were relaxed on imports from a succession of European countries. When this relaxation was applied, import licences were granted on a relatively free scale, and the result in each instance was a crisis in the payments situation of Argentina with the European trading partner concerned.

The movement started with imports from Belgium, for which licences were granted in large number between June and August of 1948. Since Belgium had settled its debt to Argentina at the beginning

of the year, the Bank of Belgium soon found itself holding some \$25 million of Argentine bills ; being unwilling to extend further credit, the Bank took drastic action to limit Belgian exports to Argentina. Argentina on its side then practically suspended the issuance of new import licences for Belgian goods, but agreed to revalidate gradually all the licences which had been issued during the short period of relative freedom in the summer of 1948. The value of the licences issued at that time, as far as may be judged from the value of Belgian exports to Argentina during 1949, must have amounted approximately to \$100 million. With the exhaustion of these licences, however, Belgian exports gradually came to a standstill in 1950. At the time of writing, Argentina has again accumulated a substantial balance in Belgian francs from the proceeds of its exports, but it appears to be unwilling to issue any new import licences except in return for a substantial credit from Belgium.

After Belgium, Italy was the next European country for which Argentine import controls were relaxed. Since Italy owed a substantial debt under the long-term credit previously granted by Argentina, imports from Italy were allowed to develop more freely than those from Belgium, and reached a peak of \$84 million in the fourth quarter of 1948. By then, however, Italy had stopped all purchases of wheat in Argentina, and the trade balance was abruptly reversed. Argentina was accordingly compelled to curtail sharply its imports from Italy, since Italian claims mounted rapidly and reached the ceiling of the "swing credit" even after funds had been set aside for repayment of the debt to Argentina. A new agreement concluded in October 1949 has not so far succeeded in appreciably reviving trade between the two countries because of the decline in export availabilities in Argentina, and Italy may be faced with the choice of extending fresh credits or further reducing its exports.

The development of the United Kingdom's trade with Argentina has followed a more complicated course, as may be seen from the chart. Under the Andes Agreement, trade was well maintained and British exports rose substantially. After the expiration of the agreement, however, the British Ministry of Food placed no further orders in Argentina, and Argentina stopped issuing import licences for British goods, with the result that trade in both directions came almost to a halt in the second quarter of 1949. When a new five-year agreement was finally signed

in June 1949, British exports rose sharply for a time, but Argentina, fearing a depletion of its sterling holdings, again curtailed imports from the United Kingdom at the end of the year. This more restrictive policy has been maintained in spite of the partial recovery in Argentine sales to the United Kingdom in the first half of 1950, and the stoppage of meat shipments from Argentina in the middle of the year does not augur well for the freer development of trade in the near future.

Imports from France were the last to be liberalized by Argentina. The restrictions placed on these imports in 1947 had threatened the early exhaustion of the Argentine credit to France. The French, therefore, had to reduce sharply their imports from Argentina in the latter part of 1948, since they were in no position to provide convertible currency in settlement of a deficit. After Argentina had attempted to retaliate through still more severe import restrictions in the second quarter of 1949, it reversed its policy and freely admitted French goods. By September 1949 the volume of licences granted was already such that the Argentine authorities again had to apply severe restrictions against imports from France. The amount of French goods for which licences were granted was so great, however, that Argentina's holdings of French francs fell by more than \$100 million in 1949 and were nearly exhausted by the middle of 1950.

The similar experience of various European countries indicates that, under the inflationary conditions prevailing in Argentina, European exporters can find buyers for almost any goods allowed to enter under the licensing controls. A more regular flow of trade with this important market will thus depend on a more smoothly regulated system of exchange controls and import licensing. In the last few years, exporters from different European countries in turn have explored the Argentine market and established agencies or commercial representatives there without succeeding in gaining a permanent foothold. From the point of view of the Argentine consumer, the vicissitudes in the trade have frequently resulted in immense difficulty in obtaining, from the country of origin, spare parts or replacements for machinery previously installed. On both sides, the lack of continuity can only have detrimental effects on the trade. More fundamentally, however, an increase in the level of trade between Europe and Argentina

would depend on increased export availabilities and a more competitive export price policy in that country. Recent developments in that field—the Argentine

devaluation of August 1950 and the renewed emphasis placed by the Government on agricultural production—have considerably improved the prospects.

## 6. THE CHANGING NATURE OF THE PAYMENTS PROBLEM

### *Balance of Payments in the Early Post-war Period*

The abrupt shifts in Argentina's trade position and the serious difficulties arising in settling its accounts in Europe were of an exceptional character. In general, it has been rather on the European side that imports have had to be restricted on balance-of-payments grounds. Despite such restrictions, Europe has had to make heavy dollar transfers to Latin America to cover its deficits, particularly those with Venezuela and other countries in the northern part of the area. Most of the Latin-American countries have, in turn, had substantial deficits with the United States, covered in part from drawings on their reserves, but also from dollar settlements received from Europe.

Payments relationships as they were in 1948, the year of maximum European dollar payments to Latin America, may be considered in the light of the estimates given in Table 10. The data are presented from the viewpoint of Latin America and show separately transactions between that area and Europe, the United States, and the rest of the world. The large deficit with the United States in 1948 resulted from a complete swing in the trade balance compared with the pre-war period, when Latin America had normally had an export surplus in trade with that country, as well as from an increased deficit on invisible items, particularly on interest and dividend payments.

With Europe, on the other hand, both Latin America's trade surplus and the deficit on invisibles are traditional features, but their relative importance was very different after the war. While the surplus on trade with Europe increased sharply compared with the immediate pre-war period, payments on income account and shipping, which in the 1930's more or less offset the trade surplus, had decreased. The change in Europe's investment position in Latin America is particularly significant. European investments in the area before the war have been estimated at something more than \$5 billion, more than half of which was in Argentina and the bulk of the remainder in Brazil and Chile. Transfers of earnings,

although low in relation to the capital invested, played an important role in balancing Europe's accounts with these countries. During the war a substantial portion of European assets in Latin America were sold, and since then the movement has continued at a rapid rate, facilitated by the eagerness of Latin-American countries to eliminate their foreign indebtedness and to acquire foreign-owned enterprises.<sup>1</sup> At the same time as the value of capital assets has decreased, payments restrictions in Latin America have hindered the transfer of investment income to European owners, thus further reducing the funds available from invisible earnings to cover the European trade deficit.

As the situation stood in 1948, Latin America's deficit on goods and services with the United States was partly covered by the investment of United States capital in the area, but a much more important means of settlement was the dollar funds which Latin-American countries themselves received in settlements from other areas. According to the estimates in Table 10, these multilateral settlements in 1948 appear to have been in the order of \$880 million,<sup>2</sup> including off-shore purchases in Latin America paid for by the United States under the European Recovery Programme. Data from the European side indicate that the bulk of these transfers actually originated in Europe. Table 11, which is drawn from O.E.E.C. sources, places the dollar deficit of western Europe with Latin America at approximately \$700 million in 1948. On trade account, western Germany was the main debtor, since its

<sup>1</sup> The foreign-owned public debt of Argentina fell from 1.1 billion pesos in 1938 to 100 million pesos in 1946, and that of Brazil from 216 million cruzeiros to 13 million cruzeiros. Large-scale repatriation of European venture capital has also taken place, such as the sales of British-owned railways in Argentina, Brazil and Uruguay. According to the Bank of England (*United Kingdom Overseas Investments, 1938-48*, Bank of England, 1950), between 1938 and 1948 the nominal value of British assets declined by 86 per cent in the Argentine, 50 per cent in Brazil and 55 per cent in Mexico.

<sup>2</sup> It should be noted, however, that the figure of \$880 million is obtained as a residual and is therefore subject to a considerable margin of error.



**Table 10**  
BALANCE OF PAYMENTS OF THE LATIN-AMERICAN REPUBLICS IN 1948  
*Millions of current dollars*

Item	United States <sup>a</sup>	Europe	Rest of world <sup>b</sup>	Total
<b>A. Goods and services</b>				
Exports, f.o.b. . . . .	+2,644	+2,301	+1,186	+6,131
Imports, f.o.b. . . . .	-3,137	-1,318	- 465	-4,920
Balance on trade account . . . . .	- 493	+ 983	+ 721	+1,211
Travel . . . . .	+ 61	- 20	+ 27	+ 68
Transportation and insurance . . . . .	- 164	- 250	- 88	- 502
Investment income <sup>c</sup> . . . . .	- 704	- 128	—	- 832
Other services <sup>d</sup> . . . . .	- 38	+ 5	+ 39	+ 6
Balance on services account . . . . .	- 845	- 393	- 22	-1,260
Balance on goods and services . . . . .	-1,338	+ 590	+ 699	- 49
<b>B. Private donations and capital</b>				
Donations . . . . .	+ 24	- 28	—	- 4
Long-term capital <sup>e</sup> . . . . .	+ 426	+ 86	—	+ 512
Short-term capital . . . . .	- 2	+ 24	—	+ 22
Total . . . . .	+ 448	+ 82	—	+ 530
<b>C. Special official financing, total . . . . .</b>	- 8	- 51	—	- 59
<b>D. Total, items A to C . . . . .</b>	- 898	+ 621	+ 699	+ 422
<b>E. Errors, omissions, multilateral settlements</b>				
Offshore purchases . . . . .	+ 142	- 142	—	—
Other . . . . .	+ 740	- 276	- 762	- 298
<b>F. Compensatory official financing</b>				
Repurchase of foreign investments <sup>e</sup> . . . . .	—	- 673	—	- 673
Loans received . . . . .	+ 2	.. <sup>f</sup>	—	+ 5
Changes in foreign exchange reserves . . . . .	- 121	+ 470 <sup>f</sup>	—	+ 346
Changes in gold reserves . . . . .	+ 135	—	+ 63	+ 198
Total . . . . .	+ 16	- 203	+ 63	- 124

<sup>a</sup> Including transactions with the International Monetary Fund and the International Bank for Reconstruction and Development.

<sup>b</sup> Residual. Includes oil exports from Venezuela to the Netherlands West Indies and their financing.

<sup>c</sup> Including undistributed profits of subsidiaries.

<sup>d</sup> Including non-monetary gold.

<sup>e</sup> Including the repurchase of direct investments, mainly British, as well as the repayment of public debt to European countries.

<sup>f</sup> Loans, extended mainly by Argentina, are included in the movement of foreign exchange reserves.

overseas exports were still insignificant at that time. Much the same was true of the Netherlands, while the United Kingdom's dollar deficit in trade with Latin America arose principally from heavy purchases of sugar from Cuba. In addition to the deficits on trade account, Table 11 shows substantial dollar settlements by Europe on other transactions with

Latin America, principally by the United Kingdom and the Netherlands and reflecting mainly the financing of operations by British-Dutch oil companies in Latin America, as discussed below.<sup>1</sup>

<sup>1</sup> In Table 10 these oil transactions are reflected chiefly in the column for the "rest of the world" rather than in the European column, since the bulk of the oil is exported from Venezuela to the Netherlands West Indies.



Table 11

DOLLAR TRANSACTIONS OF WESTERN EUROPE WITH THE LATIN-AMERICAN REPUBLICS IN 1948

Millions of current dollars

Country <sup>a</sup>	Merchandise trade			Other transactions (net)	Balance on trade and other transactions
	Exports (f.o.b.)	Imports (f.o.b.)	Balance		
United Kingdom . . . . .	139	218	- 79	-257	-336
Germany : western zones . . . . .	4	119	-115	- 2	-117
Netherlands . . . . .	18	93	- 75	- 42	-117
France . . . . .	25	87	- 62	—	- 62
Denmark . . . . .	8	34	- 26	- 1	- 27
Switzerland <sup>b</sup> . . . . .	61	82	- 21	..	- 21
Greece . . . . .	1	15	- 14	—	- 14
Belgium-Luxembourg . . . . .	41	51	- 10	+ 5	- 5
Austria <sup>c</sup> . . . . .	4	12	- 8	..	- 8
Ireland . . . . .	—	5	- 5	—	- 5
Turkey . . . . .	2	4	- 2	- 1	- 3
Italy . . . . .	59	57	+ 2	- 4	- 2
Norway . . . . .	13	14	- 1	+ 8	+ 7
Sweden . . . . .	34	18	+ 16	+ 4	+ 20
Total of countries listed . . . . .	409	809	-400	-290	-690

NOTE. — The figures have been furnished by the Statistical Office of the Organization for European Economic Co-operation (O.E.E.C.) in Paris and are based on estimates submitted by member governments.

<sup>a</sup> Countries are arranged according to the decreasing order of magnitude of their total deficit.

<sup>b</sup> Estimated by the Research and Planning Division, Economic Commission for Europe, on the basis of Swiss trade statistics.

<sup>c</sup> Austrian imports have been adjusted to include E.C.A. paid shipments.

Table 12

TRADE OF LATIN-AMERICAN REPUBLICS WITH EUROPE BY TYPE OF SETTLEMENT

Millions of current dollars, f.o.b.

Country group	Year	TRADE TURNOVER				TRADE BALANCES		
		Dollar trade	Bilateral trade	Total	Dollar trade turnover as per cent of total	Dollar trade	Bilateral trade	Total
I. Argentina, Uruguay and Paraguay . . . . .	1948	186	1,747	1,933	10	+ 64	+519	+583
	1949	91	1,258	1,349	7	+ 59	- 2	+ 57
II. Brazil, Chile, Peru and Bolivia . . . . .	1948	442	458	900	49	+188	+ 32	+220
	1949	368	525	893	41	+ 88	- 29	+ 59
III. Other Latin-American republics (excluding Venezuela) <sup>a</sup> . . . . .	1948	548	9	557	98	+172	+ 3	+175
	1949	443	19	462	96	+149	+ 5	+154
Total Latin-American republics (excluding Venezuela) . . . . .	1948	1,176	2,214	3,390	35	+424	+554	+978
	1949	902	1,802	2,704	33	+296	- 26	+270

NOTE. — "Bilateral trade" refers to trade carried on under payments agreements which provide for either (a) extension of unilateral or reciprocal credits before a settlement of clearing account balances is required, or (b) settlements of clearing balances in currencies other than the dollar. "Dollar trade" refers to all other trade and involves the assumption that payment

must be made in freely disposable dollars when no provision is made for other types of settlement. Approximate f.o.b. values for imports have been obtained by a uniform deduction of 12.5 per cent from the recorded c.i.f. figures.

<sup>a</sup> Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, El Salvador.

## Dollar and Non-dollar Trade

Dollar settlements have not been required, however, for the whole of Europe's deficit with Latin America. The larger part of the trade has been, in fact, conducted under bilateral agreements, as indicated by Table 12. Only about one-third of the total trade, in 1948 and 1949, appears to have been carried out directly on a dollar basis, whereby payment in dollars is made on individual import and export transactions. In such cases the trade balances give some indication of the net flow of dollars, at least on merchandise account. Gold or dollar settlements may also take place under bilateral agreements, but such settlements have no necessary relation to the trade balances during a given period. The agreements sometimes provide for agreed credit margins beyond which any balance has to be settled in gold, dollars, or other currency acceptable to the creditor, but in some of the agreements gold and dollar settlements are altogether excluded.

The relative importance of dollar trade compared with non-dollar trade with Europe varies widely among the different Latin-American countries, being greatest in those countries closely linked to the United States market and least in those countries more dependent on the European market. This is indicated by a comparison of Table 12 and Table 2 showing the geographic distribution of Latin-American trade, the grouping of the Latin-American countries being the same in both tables.<sup>1</sup> The same groupings are also given in Table 13, tracing the evolution of the trade balances of the Latin-American republics with Europe and the United States since 1928.

Thus, the River Plate countries which comprise the first group are heavily dependent on trade with Europe, and by far the greater part of that trade is now on a bilateral basis, only a small part being directly settled in dollars.<sup>2</sup> These countries, of which Argentina is the dominant member, have traditionally had a sizeable surplus in trade with Europe, utilized before the war partly to meet income and service payments to European countries and partly to settle deficits with the United States. After the war, the

Table 13

BALANCE OF TRADE  
OF THE LATIN-AMERICAN REPUBLICS

Millions of current dollars, f.o.b.

Country group	Year	Balance of trade with:	
		Europe	United States
I. Argentina, Uruguay and Paraguay	1928	+ 503	- 94
	1935	+ 232	+ 17
	1938	+ 129	- 47
	1948	+ 583	- 196
	1949	+ 57	- 11
	1950 <sup>a</sup>	+ 272	+ 105
II. Brazil, Chile, Peru and Bolivia	1928	+ 82	+ 148
	1935	+ 122	+ 58
	1938	+ 112	+ 31
	1948	+ 220	+ 60
	1949	+ 59	+ 123
	1950 <sup>a</sup>	+ 27	+ 314
III. Other Latin-American republics (excluding Venezuela) <sup>b</sup>	1928	+ 57	+ 63
	1935	+ 33	+ 38
	1938	+ 35	+ 7
	1948	+ 175	- 475
	1949	+ 154	- 329
	1950 <sup>a</sup>	+ 56	- 255
Total Latin-American republics (excluding Venezuela)	1928	+ 642	+ 117
	1935	+ 387	+ 113
	1938	+ 276	- 9
	1948	+ 978	- 611
	1949	+ 270	- 217
	1950 <sup>a</sup>	+ 355	+ 164

NOTE. — Approximate f.o.b. values for imports have been obtained by a uniform deduction of 12.5 per cent from the recorded c.i.f. figures.

<sup>a</sup> Annual rate for first 6 months.

<sup>b</sup> Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, El Salvador.

surplus with Europe continued, but was financed chiefly by Argentina in the ways already indicated.<sup>3</sup>

<sup>1</sup> Except that Venezuela is excluded from Table 12 (and also from Table 13) and discussed separately in the text.

<sup>2</sup> The dollar portion of Argentine trade has been chiefly with Germany. As previously noted, however, a recently concluded bilateral agreement governs future trade between the two countries. Like some of the other bilateral agreements between Latin-American and European countries, provision is made in the agreement for gold and dollar settlements, but it does not necessarily follow that balances will be paid off in this way rather than by adjusting the trade quotas on one side or the other.

<sup>3</sup> The financing of Argentina's surpluses in Europe, along with similar operations on a smaller scale by some of the other Latin-American countries, is reflected in the estimates for 1948 shown opposite "compensatory official financing" in Table 10. These financing operations included both the extension of export credits and the use of export proceeds to repurchase European investments in Latin America, although transactions of this nature were partly offset by drawings which Argentina and other Latin-American countries were themselves making on some of their accumulated balances in European currencies.

and did not give rise to gold or dollar settlements on a large and continuing scale, while the deficit with the United States has been covered chiefly by the use of gold and dollar holdings accumulated during the war. The near exhaustion of these reserves during 1948 led to drastic restrictions on imports from the United States. Since these restrictions remained in force after Argentine exports to the United States began to recover from the 1949 recession, a surplus developed in trade with that country in the first half of 1950. The intensification of its dollar problem coincided with the end of Argentina's large post-war trade surpluses in Europe and with the emergence of payments difficulties for Argentina in that area as well as in the United States.

The countries of the second group are in a more intermediate position with respect to the shares of the United States and Europe in their foreign trade and also with respect to the portion of their trade with Europe which, in recent years, has been transacted on a dollar basis. These countries, of which Brazil is the largest, have maintained since the war their traditional surpluses on trade account both with the United States and with Europe. With the United States, however, the trade surplus was insufficient to offset the large deficit on services. These countries, like those in the first group, have therefore also suffered from an acute dollar shortage, even though they have earned, on balance, significant amounts of dollars in Europe. The exhaustion of dollar reserves accumulated during the war led to severe restrictions on imports from the United States, which continued even after the great rise in coffee prices resulted, at least for Brazil, in a much increased trade surplus with the United States. In 1949, the countries of this group also began to experience payments difficulties in Europe as their export receipts fell off and as an increased proportion of these receipts was used for purchases from Europe. Brazil, in particular, experienced a fall in its French franc balances and a severe shortage of sterling which led, for a time, to a curtailment of sterling imports.

The third group in Tables 12 and 13 comprises those Latin-American republics nearest to the United States geographically and most strongly oriented towards it in their foreign trade, particularly as a source for imports, and their trade with Europe is conducted almost entirely on a dollar basis. Before the war these countries had, on trade account, export

surpluses both with Europe and with the United States, but also had to cover substantial deficits on invisible transactions. After the war their situation changed completely. Their trade surpluses with Europe increased, and they were able to obtain full dollar payment for their exports of essential goods, the most important of which was sugar from Cuba. At the same time, their imports from the United States increased several-fold, shifting their trade balance with that country to a heavy deficit. In addition to dollar transfers from Europe, this trade deficit was covered in part by increased receipts from United States tourists and by the investment of American capital, but there were also substantial drawings on gold and dollar balances accumulated during the war. It was only during 1949 and the beginning of 1950 that the decline in European demand for sugar, together with the increased attractions of European exports after devaluation, brought a reduction in their trade surplus with Europe. The shift to European suppliers for imports combined with a recovery in their exports to the United States simultaneously produced a considerable decrease in their trade deficit with that country.

For each of the three groups of Latin-American countries which have been considered separately, there was a decline from 1948 to 1949 in the proportion of trade conducted on a dollar basis and an increase in the proportion conducted bilaterally. This was partly the result of absolute cuts in European imports from Latin America to save dollars, as in the case of Cuban sugar, but the shift also reflected the further expansion of the bilateral system as new agreements were concluded, notably between western Germany and some of the Latin-American countries. The main decline in Europe's over-all trade deficit with Latin America from 1948 to 1949 was nevertheless in the bilateral part of the trade, which, as has been seen, was attributable to the reduction in export availabilities of Argentina and to its price policies, while the fall in the deficit on dollar trade was very much smaller. This explains why Europe's dollar position in Latin America improved less than the decline in the over-all trade balance would suggest.

By far the most important single element in Europe's post-war dollar payments to Latin America remains, however, to be mentioned; that is, oil payments to Venezuela, a country not included in any of the three groups in Tables 12 and 13 because its export earnings

from Europe are not at all adequately reflected in the available trade data. Out of total oil exports valued at more than \$1 billion in both 1948 and 1949, less than one-tenth was shipped directly to Europe and a substantially larger share to the United States, but considerably more than half of the total was exported to the Netherlands West Indies for refining and re-export to European and non-European destinations. On the other hand, the total value of the oil exported is not remitted to Venezuela, but only that part covering expenses in that country, including taxes and royalties as well as wages, other operating expenses, and investment outlays. Transfers for these purposes by all the oil companies, including American as well as the British-Dutch concerns, totalled \$687 million in 1948 and slightly less in 1949. Since the British-Dutch group of companies accounted for 35 to 40 per cent of total Venezuelan oil production, they must have had a heavy, if not necessarily proportionate, share in the total. These payments to Venezuela have to be covered in dollars, whereas the receipts of the British-Dutch companies are mainly in sterling, so that their net costs in dollars are very high. In addition, European countries also purchase oil products from American refineries in the Netherlands West Indies, resulting indirectly in dollar transfers to Venezuela, but these purchases of dollar oil have been curtailed since 1948. All told, it would appear that European dollar transfers to Venezuela on oil account totalled between \$300 and \$350 million in 1948 and have tended to decline since.

#### *Recent Trends in Trade and Payments*

As indicated by the preceding review of the development of trade and payments relationships, the difficulties experienced by European countries in settling accounts with their Latin-American trading partners have decreased since 1948, and the demands on European gold and dollar resources have correspondingly diminished. This easing of Europe's payments problems in Latin America has been accompanied by, and closely related to, a progressive decrease in the post-war payments deficit of Latin-American countries with the United States. Table 14 shows a steady fall in this deficit with respect to goods and services account and even the emergence of a small dollar surplus in the first half of 1950, if capital movements and donations are included. In addition, Latin-American countries have continued to receive

substantial amounts of dollars against exports to Europe paid for by the United States as offshore purchases under the European Recovery Programme. However, if account is taken of all the receipts and payments of the Latin-American republics in transactions with the United States, together with changes in their dollar balances and gold holdings, the estimates leave an otherwise unexplained residual for the first half of 1950, presumably representing dollar transfers to other areas of the world in place of the dollar receipts earned through multilateral settlements earlier in the post-war period.<sup>1</sup> The calculations thus suggest that Latin America may have become, for the first time since the war, a net source of dollars to Europe rather than a drain on European dollar resources.

From the standpoint of the dollar problem, Europe's position in Latin America had clearly become much more satisfactory by the first half of 1950 than it had been previously in the post-war period. Although it had been the more immediate and obvious, the dollar problem is, however, less basic from a long-run point of view than that of developing a relationship under which production and trade might expand on the basis of natural advantages and relative costs in the two areas. A satisfactory solution to this problem as well as the dollar shortage doubtless requires the increase of exports by the deficit area rather than the contraction of exports by the surplus area.

In fact, however, it is rather more through the sharp decline of imports from Latin America, aided by a temporary fall in Latin-American export prices, that Europe has been able to achieve a relatively satisfactory showing in its trade and payments position with Latin America in the first half of 1950. This decline in imports was partly due to European restrictions against dollar imports from the northern part of the continent, and for a greater part due to the unsatisfactory development of Argentine agricultural production and exports, aggravated by poor harvests, which led in turn to a restriction of imports from Europe. It was also chiefly through the drastic

<sup>1</sup> This conclusion is suggested by the minus item of \$190 million (annual rate for the first six months of 1950) for "other" items under "Errors, omissions, and multilateral settlements". As the term indicates, the figure is a residual after all other known or estimated transactions between Latin America and the United States are taken into account, and its validity as an indication of transfers to or from other areas is contingent upon the accuracy and completeness of the other items. Greater significance can probably be attached to the trend than to the absolute magnitude of the residual.



Table 14

BALANCE OF PAYMENTS OF THE LATIN-AMERICAN REPUBLICS WITH THE UNITED STATES <sup>a</sup>  
Millions of current dollars

Item	1947	1948	1949	1950 <sup>b</sup>
<b>A. Goods and services</b>				
Exports, f.o.b. . . . .	+2,306	+2,644	+2,503	+2,704
Imports, f.o.b. . . . .	-3,742	-3,137	-2,659	-2,466 <sup>c</sup>
Balance on trade account . . . . .	-1,436	- 493	- 156	+ 238
Foreign travel . . . . .	+ 68	+ 61	+ 62	+ 72
Transportation . . . . .	- 85 <sup>c</sup>	- 164	- 83	+ 22 <sup>c</sup>
Investment income . . . . .	- 584	- 704	- 550	- 446 <sup>d</sup>
Other services . . . . .	- 43	- 38	- 58	- 56
Balance on services account . . . . .	- 644	- 845	- 629	- 408
Balance on goods and services . . . . .	-2,080	-1,338	- 785	- 170
<b>B. Private donations and capital</b>				
Donations . . . . .	+ 34	+ 24	+ 16	+ 10
Long-term capital . . . . .	+ 425	+ 426	+ 573	+ 88 <sup>c d</sup>
Short-term capital . . . . .	- 134	- 2	- 6	+ 98
Total . . . . .	+ 325	+ 448	+ 583	+ 196
<b>C. Special official financing</b>				
Donations . . . . .	+ 44	+ 15	+ 27	+ 28
Loans received <sup>e</sup> . . . . .	+ 93	+ 72	+ 109	+ 128
Amortization and other debt repayments . . . . .	- 55	- 56	- 45	- 42
Gold and dollar subscriptions to Monetary Fund and International Bank . . . . .	- 67	- 39	—	—
Total . . . . .	+ 15	- 8	+ 91	+ 114
<b>D. Total items A to C</b>	-1,740	- 898	- 111	+ 140
<b>E. Errors, omissions, multilateral settlements</b>				
Offshore purchases . . . . .	+ 557	+ 142	+ 325	+ 228
Other . . . . .		+ 740	+ 209	- 190
<b>E. Compensatory official financing</b>				
Repurchase of foreign investments . . . . .	- 12	—	—	—
Loans received <sup>f</sup> . . . . .	+ 103	+ 2	- 60	- 44
Monetary Fund advances, net . . . . .	+ 31	+ 2	+ 35	—
Other exchange liabilities . . . . .	+ 188	- 21	- 48	- 134
Changes in official dollar balances . . . . .	- 3	- 102	- 219	+ 70
Changes in gold reserves . . . . .	+ 876	+ 135	- 131	- 70
Total . . . . .	+1,183	+ 16	- 423	- 178

NOTE. — Original data are the balance of payments estimates made by the United States Department of Commerce. For adjustments made by International Monetary Fund, see note on sources and methods. All signs are reversed as compared with the original sources in order to present the data from the standpoint of Latin America rather than from that of the United States.

<sup>a</sup> Including transactions with the International Monetary Fund and the International Bank for Reconstruction and Development.

<sup>b</sup> Annual rate for first 6 months. Unadjusted data. See following footnotes.

<sup>c</sup> Imports, transportation and direct investment are not adjusted for United States transactions with Panamanian and Honduran fleets.

<sup>d</sup> Investment income and direct investment (private long-term capital movement) are not adjusted for undistributed profits of subsidiaries which amounted to \$160 million in 1949.

<sup>e</sup> Including loans made by the International Bank (+\$32 million in 1949 and +\$42 million in 1950).

Including United States Stabilization Fund loans.



reduction of imports from the United States rather than the expansion of exports to that market that Latin-American countries succeeded, up to the middle of 1950, in bringing their dollar accounts into closer balance.

While the answer to payments difficulties, both in Europe's trade with Latin America and in Latin America's trade with the United States, has been found chiefly through downward balancing, more recent trends have shown a strengthening of exports by the deficit area in each instance. European countries were able to achieve a fairly substantial rise in the volume of their exports to Latin America in the first half of 1950, while Latin-American exports to the United States benefited by the strong recovery of demand in that market during the same period. Better harvests and increased emphasis on agricultural expansion should also improve the export prospects of Argentina. The behaviour of European exports provides some indication that the devaluation of European currencies towards the end of 1949 served to put European goods on a more competitive footing in the Latin-American market and thereby laid a firmer basis for the future expansion of trade. The re-entry of German exports into the Latin-American market may also contribute to the expansion of the over-all volume of Europe's trade with the area. It remains uncertain, however, to what extent the increase in European exports in the early part of 1950 is indicative of the improved competitive position of European suppliers or to what extent it reflects the tightening of Latin-American restrictions on imports from the United States. If Latin-American countries find it necessary to continue special discriminatory measures against American goods in order to keep imports within the limits of their payments capacity, European countries could scarcely expect to benefit substantially by an improvement in the dollar earnings of Latin-American countries. Under such conditions, any further expansion of trade would tend to be carried out under conditions of bilateral balancing, yielding no dollar surplus in either direction.

Since the middle of 1950, however, Europe's trade with Latin America has become subject to new forces set in motion by the events in the Far East and the decisions to rearm. The first consequence

is the substantial rise in primary prices reflecting the strengthening of demand for raw materials for stockpiling and rising industrial production. Latin-American proceeds from sales to the United States have already shown a rapid rise, and receipts from Europe may be expected to do likewise, at least as a result of higher prices if not of greater quantities.

Apart from the disturbance of price and wage structures in general, the rise in primary prices confronts Europe with a serious deterioration in its terms of trade with Latin America, placing additional demands on Europe's resources in so far as this change is met by increased exports, and creating renewed payments difficulties in so far as its exports to Latin America do not expand. There can be little doubt that, given a continuation of present conditions, Latin-American import demand will be greatly strengthened, as increased export prices will generate higher incomes at home and greater foreign exchange resources. At the same time, however, as rearmament requirements in the United States and Europe raise demand in Latin America, it will tend to curb the ability of the principal manufacturing countries to satisfy that demand. How this will affect trade between Europe and Latin America depends largely on the levels of rearmament in the United States and Europe. The greater the rearmament effort and the more equally it is distributed, the stronger is the likelihood that inflationary processes will be intensified in Latin America through lack of imports and that Europe's trade deficit with that area will increase, giving rise to present claims for settlement in gold or to future claims on European production.

From the standpoint of economic development in Latin America, there is also the risk that limitations on the availability of manufactured goods will not be altogether general, but will be more heavily concentrated in capital equipment goods with which rearmament most strongly competes. In this event, the pressure of demand in Latin America and the difficulty of combating inflation in that area by fiscal measures may lead to increased imports of a variety of consumers' goods and the dissipation of exchange resources which, if husbanded for later more favourable conditions, might go far to reduce dependence on outside investment funds for economic development.

## SOURCES AND METHODS

In general, the figures for Europe's trade with Latin America have been taken from the statistics of European countries. For post-war years, however, these figures include for the trade of certain eastern European countries estimates based on the statistics of Latin-American countries.

The selected Latin-American countries do not include overseas territories of European countries, but only Latin-American republics.

When converting c.i.f. import figures into f.o.b. values, a uniform deduction of 12.5 per cent has been applied.

### TRADE OF EUROPE WITH LATIN AMERICA (Table 1)

The figures for imports and exports in current prices were converted to 1948 prices by applying unit value indices computed as follows :

(a) *Unit value indices for imports* were computed from data for 22 commodities which account for approximately three-quarters of the total imports of European countries from Latin America. The following list indicates the commodities included and the countries for which data were taken into account for each commodity :

Commodity	Countries
Wheat . . . . .	United Kingdom, Italy, Belgium, Netherlands, Switzerland
Barley . . . . .	United Kingdom, Belgium, Netherlands, Switzerland
Oats . . . . .	United Kingdom, Belgium, Netherlands, Switzerland
Maize . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Meat, beef . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Meat, mutton . . . . .	United Kingdom
Meat, lamb . . . . .	United Kingdom
Lard . . . . .	United Kingdom
Butter . . . . .	United Kingdom
Coffee . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Cocoa . . . . .	Italy, Belgium, Netherlands, Switzerland
Sugar, raw . . . . .	United Kingdom, France, Italy, Belgium, Switzerland
Cotton, raw . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Wool, raw . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Linseed oil . . . . .	United Kingdom, France, Italy
Flax or linseed . . . . .	United Kingdom, France, Italy, Belgium, Netherlands
Crude petroleum . . . . .	United Kingdom, France, Italy, Belgium, Netherlands,
Cattle hides . . . . .	United Kingdom, France, Italy, Belgium, Netherlands, Switzerland
Copper, electrolytic . . . . .	United Kingdom, France, Italy, Switzerland
Lead . . . . .	United Kingdom, France, Belgium
Nitrate . . . . .	United Kingdom, France, Italy, Belgium, Netherlands
Quebracho . . . . .	United Kingdom, France, Belgium, Netherlands

(b) *Unit value indices for exports* were computed by a different method from those for imports. The chosen sample includes exports of 12 European countries to their principal markets in Latin America, and represents approximately 85% of total exports. In spite of the broader coverage, the resulting indices are certainly less reliable than the former, since the composition of European exports is more diversified than the composition of imports, and the unit value indices employed for each commodity group and each country are less accurate.

Table 52 of the *Economic Survey of Europe in 1949* shows that the variation of Europe's export prices to overseas was very slight between the beginning of 1948 and the month of September 1949. It was assumed that this was true of trade with Latin America, and that prices in the first three quarters of 1949 were the same as in 1948. For the fourth quarter (i.e. the quarter following devaluation), unit values of the beginning of 1950, computed as explained below, were applied.

For the computation of values in 1948 prices for exports in the year 1938 and in the first six months of 1950, the method as described in the *Economic Survey of Europe in 1949* [Appendix B, section X, 5 (d)] has been employed. In short, the break-down of the exports of the 12 European countries to Latin America has been established in 10 commodity groups [as described in the same Appendix, section X, 5 (c)], and for each exporting country and for each commodity group a special unit value index (or a wholesale price index) has been used to convert the figures into 1948 value. The figures thus computed in national currencies were converted into dollars at the exchange rates of 1948. For the year 1928, the same method has been applied, but for each commodity group, unit value indices of the United Kingdom have been used, owing to the lack of representative indices for other countries.

# INDEX NUMBERS OF DOLLAR PRICES OF SELECTED EUROPEAN IMPORTS FROM LATIN AMERICA (Table 4)

The price indices in Table 4 are based on the same material as the unit value indices used for the conversion of the figures in Table 1 to constant prices described above. Different methods were, however, used in computing the price index. The principal differences were :

(a) that, in order to correct changes in the commodity composition, the weights used were not imports in the current year but the average of imports in the two subsequent years, and

(b) that, where significant differences in the quality of specific commodities were apparent, the figures were broken down in detail and computed separately for trade between different pairs of countries.

## PRODUCTION, CONSUMPTION AND EXPORTS OF SELECTED COMMODITIES BY PRINCIPAL LATIN-AMERICAN SUPPLIERS (Table 5) PRINCIPAL EXPORTS FROM LATIN AMERICA TO EUROPE (Table 7)

While the production figures for agricultural products in the Southern Hemisphere, as indicated in the footnotes to the tables, refer to harvests at the beginning of the year or at the end of the preceding year, the trade figures refer to the calendar years given. The figures published in these tables were derived from the following publications. Where two sources gave different figures for the same item, a choice was made, taking into account the apparent reliability of the data.

### Sources :

- International Yearbook of Agricultural Statistics*, International Institute of Agriculture, Rome.
- Statistical Yearbooks of the League of Nations*.
- International Trade in certain Raw Materials and Foodstuffs, 1935-1938*, League of Nations.
- Food and Agricultural Statistics, Monthly Bulletin*, F.A.O.
- Yearbooks of Food and Agricultural Statistics*, F.A.O.
- Monthly Bulletin of Statistics*, Statistical Office of the United Nations.
- Economic Survey of Latin America, 1949*, Economic Commission for Latin America.
- Sugar : *Statistical Bulletin for the International Sugar Council*, London.
- Wool : *Wool Intelligence*.
- Grains : *Grain Bulletin*, Commodity Series, F.A.O., Nos. 10 and 18.
- Meat : *Livestock and Meat*, Commodity Series, F.A.O., No. 12.
- Metals : *World Trade in Commodities, Metals and Minerals*, U.S. Department of Commerce.
- Petroleum : *Statistisches Jahrbuch*, Deutschland.  
*World Petroleum*.
- Tin : *International Tin Study Group Bulletin*.
- Coffee and cotton, Brazil : *Comercio exterior do Brasil*.
- Coffee, Salvador : *Boletín Estadístico*, El Salvador.

### Conversion Factors used :

Wheat and flour . . . . .	1 ton wheat flour—1.25 tons grain
Meat (excluding offal and poultry) . .	1 head cattle—0.22 tons meat
	1 head pigs—0.082 tons meat
	1 head sheep—0.0188 tons meat
Linseed . . . . .	1 ton linseed—0.33 tons oil
Cotton seed . . . . .	1 ton cotton-seed—0.16 tons oil
Mineral oils . . . . .	1 ton refined oil—1.11 tons crude oil

Moreover, Table 7 is not comparable with Table 5, partly because the years that have been taken into account are not the same, and partly because statistics of importing countries had to be used in some cases (particularly for post-war years). For this reason, the percentages given in Table 7 and their variation between pre-war and post-war should be treated with reserve.

## EXPORTS FROM EUROPE AND THE UNITED STATES TO SELECTED LATIN-AMERICAN COUNTRIES BY THREE MAJOR COMMODITY GROUPS (Table 8)

The figures were derived from the trade statistics of the following European countries : United Kingdom, France, Netherlands, Belgium-Luxembourg, Switzerland, Italy, Portugal, Spain, Norway, Sweden, Finland and Germany. Exports were computed to the following Latin-American countries : Argentine, Uruguay, Brazil, Peru, Chile, Cuba, Venezuela, Mexico and Colombia, in so far as they were separately reported in the available statistics.

In the *Economic Survey of Europe in 1949* [Appendix B, section X, 5 (c) and (d)], a detailed description will be found of the commodities included in each of the 10 original groups used which were re-grouped in Table 8 and of the methods used to convert the 1938 figures into post-war prices.

The groups are the following :

Food and raw materials :	Group 1—Food, drink and tobacco
	Group 2—Raw materials and articles mainly unmanufactured
Metals and engineering products :	Group 3—Metals and manufactures
	Group 4—Machinery
	Group 5—Passenger cars
	Group 6—Transport equipment
All other manufactures :	Group 7—Chemicals and related products
	Group 8—Textiles and manufactures
	Group 9—All other manufactures
	Group 10—Unspecified

The principles which have been applied to convert 1938 figures into 1948 prices have also been used to convert the figures for the first six months of 1950 into 1949 prices. Different indices have been used for each exporting country and for each of the 10 commodity groups.

#### Chart 1

Total trade values in 1938 prices have been obtained for the years 1928 and 1948 on the basis of the publication *Trade Trends and Policies of Latin-American Countries* (ECLA, May 1950). Figures prolonged for 1949 have been calculated by means of the unit value indices published in the *Economic Survey of Latin America 1949*, Preliminary Draft, Chapter III (based on 1937). For Argentina, the movement of export prices between 1948 and 1949 has been estimated with the help of European import statistics.

The break-down of these values in 1938 prices by area of origin or destination is based on that given in the same publications in current values ; moreover, account has also been taken of the movement of the unit value indices of the trading partners of Latin-American countries. Various other minor adjustments have been made and the resulting figures are consequently only approximations.

#### THE BALANCE OF PAYMENTS OF LATIN AMERICA IN 1948 (Table 10)

Most of the estimates contained in this table were prepared by the Research Department of the International Monetary Fund. The general method used was first to obtain estimates of Latin America's total transactions with countries outside the area, then to obtain estimates of its transactions with Europe and with the United States and finally to derive the figures for its transactions with the rest of the world as a residual.

The figures for Latin America's total transactions with other countries were compiled by the International Monetary Fund from statements submitted by Latin-American countries. They correspond essentially to those published in *Balance of Payments Yearbook, 1948*, International Monetary Fund.

The figures for transactions with the United States are based on the regional balance-of-payments estimates published by the United States Department of Commerce. These have been adjusted in order : (a) to include transactions of the Latin-American republics with the International Monetary Fund and the International Bank for Reconstruction and Development ; and (b) to make the various items comparable with the concepts used in the compilation of the " total " column. Further details of these adjustments are given below in the notes to Table 14.

The figures for transactions with Europe were compiled jointly by the Research Department, International Monetary Fund, and the Research and Planning Division, Economic Commission for Europe. The trade figures are based on European trade statistics. No Latin-American trade figures have been used and, in order to derive Latin America's exports to Europe, the European figures for imports from Latin America were adjusted from c.i.f. to estimated f.o.b. values by deducting 12.5 per cent. Travel, transportation, insurance and other services were estimated. The figure given for investment income is a residual, based on the assumption that no investment income was paid to areas other than the United States and Europe. The figures for all other transactions have been derived essentially by the residual method, assuming that the United States and Europe accounted for practically all the specified financial transactions of the Latin-American republics.

The figures for transactions with the " Rest of World " were mostly obtained as residuals, and, with the exception of gold movements, very few items in it can be specifically identified. It must be emphasized that, in addition to Latin America's transactions with the rest of the world, this column also includes any errors resulting from the possible non-comparability of the data in the other three columns. It also includes some transactions with Europe and the United States, for example, sales of oil from refineries in the Netherlands West Indies to Europe and to the United States. It should also be noted that part of the transportation deficit in this column is in fact incurred with European and American owners of Panamanian and Honduran ships.



The following points relating to particular items in the table should be noted :

(a) *Transportation and Insurance* : the figures in the "Total" and "Rest of World" columns include freight charges paid by Latin-American countries to foreign shipping owners in Panama and Honduras. The figures in the "Total" and "United States" columns exclude the receipts of these fleets *from outside* Latin America, while the figure for Europe includes payments to them by European countries.

(b) *Investment income* : includes undistributed profits of subsidiaries.

(c) *Long-term capital* : includes a counter-entry for the undistributed profits of subsidiaries. The net inflow of capital from Europe includes investment in oil companies by the United Kingdom and possibly outflows on other accounts. The European net figure, derived as a residual, may reflect an under-estimate of the total inflow or an over-estimate of the inflow from the United States.

#### DOLLAR TRANSACTIONS OF WESTERN EUROPE WITH THE LATIN-AMERICAN REPUBLICS (Table 11)

The figures were provided by the Statistical Office of the Organization for European Economic Co-operation (O.E.E.C), Paris, and are based essentially on estimates made and submitted to the O.E.E.C. by member Governments. The adjustments and additions made to the figures are explained in the footnotes to the table.

#### LATIN AMERICA'S TRADE WITH EUROPE BY COUNTRY GROUPS AND TYPES OF PAYMENT (Table 12)

The table is based on European statistics of trade with the Latin-American republics. The trade of each pair of countries has then been classified according to the available information on trade and payments agreements in force between European and Latin-American countries. If the nature of trade between a certain pair of countries changed during the year of reference as a result of the conclusion of a new payments agreement, or the cancellation of an existing agreement, the entire trade during that year has been classified according to the method of settlement in force for the major part of the year. The c.i.f. figures used for Europe's imports from Latin America have been adjusted to an estimated f.o.b. basis by deducting 12.5 per cent. It must be emphasized that the figures in the table are in many cases approximate and indicate only orders of magnitude. Moreover, figures given for "dollar trade" do not necessarily correspond to the actual dollar settlements made during each year.

#### LATIN AMERICA'S BALANCE OF PAYMENTS WITH THE UNITED STATES (Table 14)

The table was compiled by the Research Department, International Monetary Fund. The original sources used are the United States balance-of-payments estimates published in the *Survey of Current Business*, June and September 1950. All signs have been reversed in order to present the data from the standpoint of Latin America. The official United States estimates have been adjusted to include transactions with the International Monetary Fund and the International Bank for Reconstruction and Development, and to make the data conform to the general balance-of-payments concepts used by the Fund. Of these adjustments the following should be mentioned :

(a) *Imports from the United States*. United States exports of ships to the Panamanian and Honduran fleets have been eliminated from the original data since these fleets are treated as "foreign" in the balance-of-payments statement of the Latin-American republics (see notes to Table 10).

(b) *Transportation*. United States receipts from and payments to Panamanian and Honduran fleets have been eliminated in 1948 and 1949. Figures are not available for the earlier years.

(c) *Investment income and Long-term capital*. Undistributed profits of subsidiaries of United States companies are added to investment income and to direct investments in Latin America. Investment income received from Panamanian and Honduran shipping has been eliminated.

## NOTE ON RECENT CHANGES IN EUROPE'S BALANCE OF PAYMENTS

The devaluation of most European currencies, together with those of many overseas countries, in September 1949 appears to have marked a turning-point in Europe's overseas balance of payments and in the international dollar problem. In order to show the extent of the changes which have occurred, the present note gives a summary of Europe's overseas trade and payments position during the twelve-month periods preceding and following devaluation.<sup>1</sup> The choice of these periods should not, however, be interpreted as an attempt to appraise the effects of the currency readjustments. Whatever improvement or deterioration has taken place in Europe's accounts with different areas since that time has been the result of a number of factors, some of which appear to have been of greater importance than devaluation. The further recovery of European agricultural and industrial production has served in general to decrease the need for imports of certain goods and particularly to permit a reduction in the supplies obtained from hard-currency sources. As a more specific influence in this direction, the decision of the members of the sterling area to restrict their dollar expenditures to 75 per cent of the 1948 level was taken independently of and several months before devaluation, though its application doubtless became easier with the improved competitive position of Europe.

On the export side, the most important factor affecting the position of European as well as overseas countries has been the marked strengthening of import demand in the United States. This began to be felt even before devaluation with the upturn in American business activity from the low levels reached in the summer of 1949. More recently, the increased international tension has further stimulated American import demand and brought a more pronounced rise in raw-material prices, with the result that, in the third quarter of 1950, the United States failed to

show a large surplus on trade account for the first time since the war.<sup>2</sup>

These changes have served indirectly to alleviate Europe's dollar position through its currency ties with some of the main overseas raw-material-producing countries, particularly those of the sterling area, but at the same time have brought a deterioration in Europe's own trade and financial position with respect to these overseas countries. Along with these changes in trade, there seems to have been an end to the speculative activity which, particularly in the case of the British pound, had increased the drain on gold and dollar resources before devaluation and thereby tended to make the currency readjustment unavoidable. As a result of these developments, the dollar problem has become far less serious, at least for the time being, and has tended to give way to other issues of growing importance.

### *Trade with Overseas Areas*

The most marked change in trade since devaluation, as can be seen from Table 1, has been the reduction in Europe's deficit with dollar countries while that with other, predominantly non-dollar, countries has been mounting. The trade deficit with the United States and Canada fell by nearly \$1.7 billion from the twelve-month period preceding to that following devaluation, and at the same time the deficit with other areas rose by \$600 million, accounted for chiefly by a switch in Europe's trade balance with the overseas sterling area.

These changes in trade balances have occurred under an over-all reduction in the dollar level of the trade. On the import side, this arises from a smaller aggregate volume, especially in imports from North America, combined with a lower average level of prices, expressed in dollars, over the period since devaluation. On the export side, the decline in the total is attributable solely to the lower post-devaluation level of European prices, in terms of dollar equivalent, the volume of European exports having increased to most overseas destinations. It was, however, only in exports to the United States, which had fallen sharply

<sup>1</sup> Balance-of-payments data are not as complete for the periods specified as those compiled on a calendar year basis. As far as transactions with the United States are concerned, the data given in the accompanying tables refer to Europe as a whole and are extended, in Table 2 and Chart 2, to cover not only trade, but also invisible payments. With regard to transactions with other overseas areas, however, the analysis is based on the merchandise trade of ten European countries only.

<sup>2</sup> See Table XVI in the Statistical Appendix.

**Table 1**  
**EUROPE'S TRADE WITH OVERSEAS AREAS BEFORE AND AFTER DEVALUATION**

*Millions of dollars in current prices, f.o.b.*

Area	Imports		Exports		Balance		Change in balance
	Oct. 1948 to Sept. 1949	Oct. 1949 to Sept. 1950	Oct. 1948 to Sept. 1949	Oct. 1949 to Sept. 1950	Oct. 1948 to Sept. 1949	Oct. 1949 to Sept. 1950	
United States . . . . .	4,373	3,157	1,038	1,205	— 3,335	— 1,952	+ 1,383
Canada . . . . .	932	625	388	375	— 544	— 250	+ 294
<b>Total . . . . .</b>	<b>5,305</b>	<b>3,782</b>	<b>1,426</b>	<b>1,580</b>	<b>— 3,879</b>	<b>— 2,202</b>	<b>+ 1,677</b>
Latin-American republics . . . . .	1,533	1,449	1,345	1,226	— 188	— 223	— 35
Overseas sterling area (including British colonies) . . . . .	3,660	3,162	3,949	2,939	+ 289	— 223	— 512
Dependent overseas territories (excluding British colonies) . . . . .	1,738	1,564	1,677	1,419	— 61	— 145	— 84
Other overseas countries . . . . .	1,002	880	853	761	— 149	— 119	+ 30
<b>Total . . . . .</b>	<b>7,933</b>	<b>7,055</b>	<b>7,824</b>	<b>6,345</b>	<b>— 109</b>	<b>— 710</b>	<b>— 601</b>
<b>Total overseas countries . . . . .</b>	<b>13,238</b>	<b>10,837</b>	<b>9,250</b>	<b>7,925</b>	<b>— 3,988</b>	<b>— 2,912</b>	<b>+ 1,076</b>

*Sources:* The figures have been taken from *Total Export and Import Trade*, United States Department of Commerce, January-September 1949 and 1950, and Table XIX in the section "European Economic Statistics".

*NOTE.* — Data for Europe's trade with the United States refer to the whole of Europe and are unadjusted for balance-of-payments purposes.

They are therefore not comparable with similar data given in Table 2. Data for all other areas cover ten European countries (listed in Table XIX) only. Approximate f.o.b. values for imports have been obtained by a uniform deduction of 12.5 per cent from the recorded c.i.f. figures.

in the course of 1949 up to devaluation, that the volume has increased sufficiently to outweigh the effects of the reduction in dollar prices.<sup>1</sup> In the important instance of exports to the overseas sterling area, the total volume appears, exceptionally, to have undergone little or no increase, the reduction in exchange rates and dollar prices being more or less fully reflected in the fall in the dollar value of the trade. This result stems chiefly from a fall in European exports to India and South Africa, which have curtailed imports from all sources, while the volume of European sales in most other overseas sterling countries rose.<sup>2</sup>

From the quarterly figures of the trade given in Chart 1, it will be seen that exports to the United

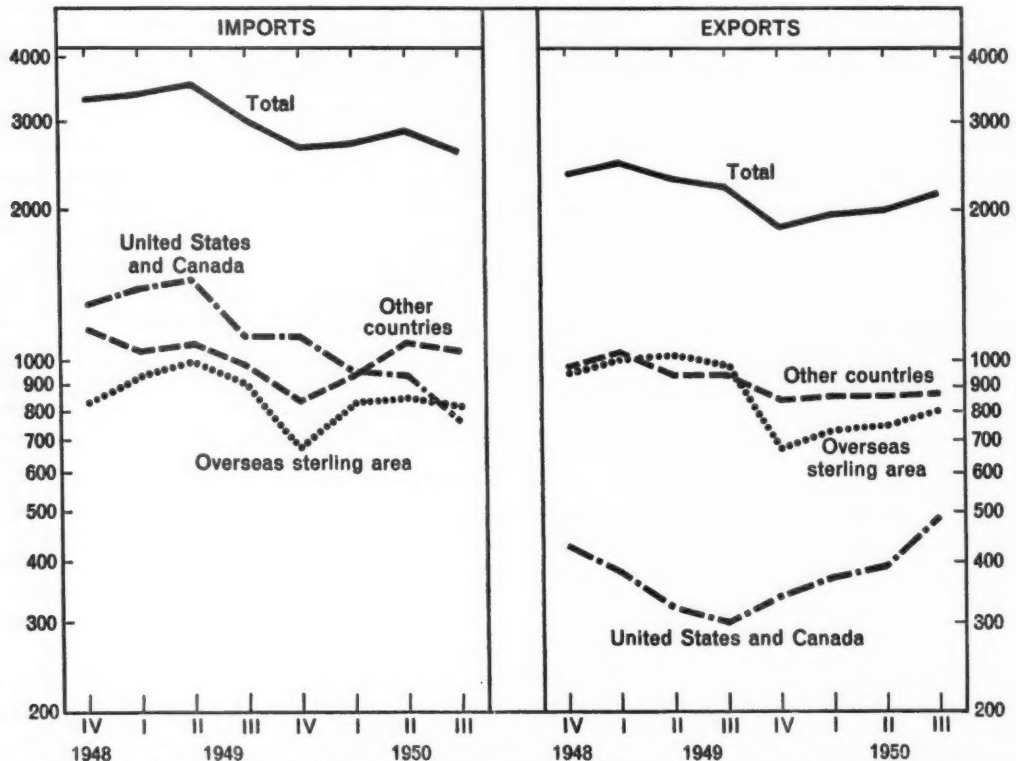
States and Canada have risen sharply in dollar value since the end of 1949 and have exceeded the peak levels that had been reached a year earlier. The post-devaluation rise in exports to other overseas areas, however, has been much less pronounced. In contrast to the behaviour of exports, European imports from North America have fallen continuously since the second quarter of 1949, while imports from other overseas areas have generally tended to return near to their pre-devaluation dollar levels. The result of these changes has been a major shift in the distribution of Europe's overseas trade, the percentage of exports taken by the United States and Canada having risen from less than 14 per cent in the third quarter of 1949 to 22½ per cent in the third quarter of 1950, and the percentage of imports derived from these countries having fallen from 37½ per cent to 29 per cent over the same period.<sup>3</sup>

<sup>1</sup> Figures in this table, based on the United States trade statistics, do not include certain balance-of-payments adjustments and therefore differ from those given in Table 2. From the payments point of view, the increase in Europe's exports to the United States was offset by a simultaneous decrease in purchases of military and civilian supplies by the United States Government.

<sup>2</sup> The dollar value of British exports to India and South Africa fell by nearly \$550 million (representing a decline in volume of more than 30 per cent), thus accounting for more than half of the decline in the dollar value of total European exports to the overseas sterling area.

<sup>3</sup> Owing to lack of data on the trade of some European countries with areas other than the United States, the share of the United States and Canada in Europe's overseas trade may tend to be overstated. The error, however, is likely to be of approximately the same size in both 1949 and 1950, and the change in the percentages between these two periods should not therefore be significantly affected.

**Chart 1**  
**EUROPE'S TRADE WITH OVERSEAS AREAS**  
*Millions of current dollars, f.o.b.*  
*(Semi-logarithmic scale)*



Sources: The figures have been taken from Table XIX in the section "European Economic Statistics" and United States trade statistics.  
NOTE.— Approximate f.o.b. values for imports have been obtained by a uniform reduction of 12.5 per cent from the recorded c.i.f. figures.

#### *Reduction in the Dollar Deficit*

Substantial though it was, the improvement in the merchandise account with the United States during the year following devaluation accounted for only a part of the total decrease in Europe's dollar deficit. This decrease, as measured by the change in the amount of official financing required shown in Table 2, was of the order of \$3.4 billion, of which about one-third arose from the fall in Europe's trade deficit with the United States. Other major contributory factors, commented upon below, were the increase in Europe's surplus with the United States on service transactions, the improvement in the dollar position of the affiliated overseas areas together with a reduction in the amount of dollars required by Europe for settlements with Canada and other overseas countries, and the apparent falling away of clandestine capital movements from Europe.<sup>1</sup>

Europe's surplus on service account with the United States increased by more than \$300 million from the year preceding to the year following devaluation, the changes in the principal items being given below:

Millions of current dollars			
	October 1948 to September 1949	October 1949 to September 1950	Change
Transportation . . . . .	—230	+ 3	+233
Income from investments . . . . .	+ 19	+ 76	+ 57
Tourism and travel . . . . .	+127	+181	+ 54
Other services . . . . .	+149	+127	— 22
Total . . . . .	+ 65	+387	+322

<sup>1</sup> There was also some new investment of American private capital in Europe during the year following devaluation in contrast to the withdrawal of funds during the preceding year, as may be seen in Table 2. A large part of this new investment is accounted for by a loan by a group of private United States banks to France in August 1950. The increased inflow of United States capital, however, was largely offset by a rise in European long-term investment in the United States.



Table 2

BALANCE OF PAYMENTS OF EUROPE, ITS DEPENDENCIES AND THE REST OF THE WORLD  
WITH THE UNITED STATES

Millions of current dollars

Item	12 months October- September	Europe and Dependencies			Rest of the world
		Europe	Dependent overseas territories	Total	
A. Goods and services (total) . . . . .	1948/49 1949/50	-3,308 -1,798	-195 +187	-3,503 -1,611	-3,249 -1,080
Exports to the United States . . . . .	1948/49 1949/50	1,280 1,279	674 758	1,954 2,037	5,416 6,264
Imports from the United States . . . . .	1948/49 1949/50	4,653 3,464	764 486	5,417 3,950	7,581 6,279
Services (net) . . . . .	1948/49 1949/50	+ 65 + 387	-105 - 85	- 40 + 302	-1,084 -1,065
B. Private donations and capital movements (total)	1948/49 1949/50	+ 243 + 271	+ 42 + 37	+ 285 + 308	+ 721 + 527
Private donations . . . . .	1948/49 1949/50	+ 384 + 331	+ 9 + 9	+ 393 + 340	+ 151 + 115
Private United States capital . . . . .	1948/49 1949/50	- 88 + 227	+ 31 + 29	- 57 + 256	+ 651 + 734
Foreign long-term capital <sup>a</sup> . . . . .	1948/49 1949/50	- 53 - 287	+ 2 - 1	- 51 - 288	- 81 - 322
C. Surplus or deficit on goods, services, private donations and capital (A+B) . . . . .	1948/49 1949/50	-3,065 -1,527	-153 +224	-3,218 -1,303	-2,528 - 553
D. Official financing (total) . . . . .	1948/49 1949/50	+5,456 +2,045	- 27 - 8	+5,429 +2,037	+1,473 - 176
United States Government grants . . . . .	1948/49 1949/50	+4,097 +3,287	— + 2	+4,097 +3,289	+1,250 + 829
United States Government credits . . . . .	1948/49 1949/50	+1,029 + 190	— + 5	+1,029 + 195	+ 64 + 30
Foreign short-term balances in the United States . .	1948/49 1949/50	- 95 - 587	- 12 - 5	- 107 - 592	- 98 - 753
Monetary gold movements . . . . .	1948/49 1949/50	+ 425 - 845	- 15 - 10	+ 410 - 855	+ 257 - 282
E. Errors, omissions and multilateral settlements	1948/49 1949/50	-2,391 - 518	+180 -216	-2,211 - 734	+1,055 + 729

Sources: Rearranged from *Survey of Current Business*, United States Department of Commerce, June and September 1950. Data for the second and

third quarters 1950 were furnished directly by the International Economics Division, United States Department of Commerce.  
<sup>a</sup> Official and private.

The improvement in the transportation account, which was far greater than the increase in net receipts from American tourists and from earnings on investments in the United States, seems to be attributable largely to the decline in European imports of coal and other bulk cargoes in American ships.

Simultaneously with the improvement in its position on goods and services with the United States, Europe also benefited by a change in the dollar position of other overseas countries. Part of this change directly affected European currency reserves, notably the net shift of close to \$400 million in the transactions of the dependent overseas territories with the United States shown in Table 2. A similar improvement, which may be estimated at over \$400 million, has occurred in the dollar position of overseas sterling countries not included in this group,<sup>1</sup> also with direct benefit to the dollar reserves of the United Kingdom. In addition, the reduction in Europe's deficit with Canada and in its deficit on the dollar part of its trade with the Latin-American Republics has curtailed dollar transfers from Europe to these countries, coinciding with a major improvement in their own balance-of-payments position with the United States.

Evidence of the reduction in these multilateral dollar settlements by European countries may be seen in the final item of Table 2, which is a residual after taking into account all known or estimated dollar transactions directly between the various areas shown and the United States; it may consequently be affected by any other errors and omissions in the data. The estimates indicate, however, that, during the year preceding devaluation, dollar disbursements by European countries not accounted for by transactions with the United States were very much greater than the dollar receipts of third countries through multilateral settlements. The excess affords some evidence of the probable role of clandestine capital movements from Europe during the period of growing apprehension regarding the stability of European currencies.<sup>2</sup> In the year subsequent to

devaluation, the discrepancy between apparent dollar transfers by Europe and apparent dollar receipts by third countries in multilateral settlements became negligible, suggesting that the drain on European currency reserves through the leakage of private capital was no longer of any importance, and that there was no evidence of any significant change accompanying the political developments of last summer.

A more detailed view of the evolution of dollar transactions with the United States on the part of European countries and the affiliated overseas areas is given in Chart 2, showing the totals of receipts and payments on goods and services by quarters since the beginning of 1949. On the side of dollar expenditures, the development has been remarkably uniform for the various countries or groups of countries shown as making up the "European currency area", including the overseas sterling countries and the dependent overseas territories.<sup>3</sup> In all instances, there was already a major reduction from the second to the third quarters of 1949. After devaluation, dollar expenditures receded somewhat further but tended to level off during 1950.

Considerable similarity of behaviour may also be seen with respect to trends in dollar earnings. Here, too, there was a general decline during the months preceding devaluation, the sharpest fall in dollar receipts being experienced not by European countries but by the overseas sterling area, reflecting primarily the weakness of American demand for primary goods during the period of business recession in 1949. It is also the overseas sterling area which has shown the sharpest proportionate recovery in dollar earnings since devaluation and the upturn in business activity in the United States, although the dollar earnings of the United Kingdom and other European countries have also risen substantially during 1950. The total dollar earnings of the European currency area thus exceeded the early 1949 rate by the second quarter of 1950 and rose further in the third quarter with the intensification of American demand following the outbreak of hostilities in the Far East.

#### *Rise in Gold and Dollar Holdings*

The improvement in Europe's trade and service account with the United States, together with the reduction in third-country dollar settlements and the

<sup>1</sup> Data for the transactions of the overseas sterling area as a whole with the United States are not available for the full period covered by Table 2, although the British colonies are there included with the dependent overseas territories. In Chart 2, beginning with the first quarter of 1949, however, the dollar receipts and expenditures of the entire overseas sterling area (including the British colonies) are shown separately.

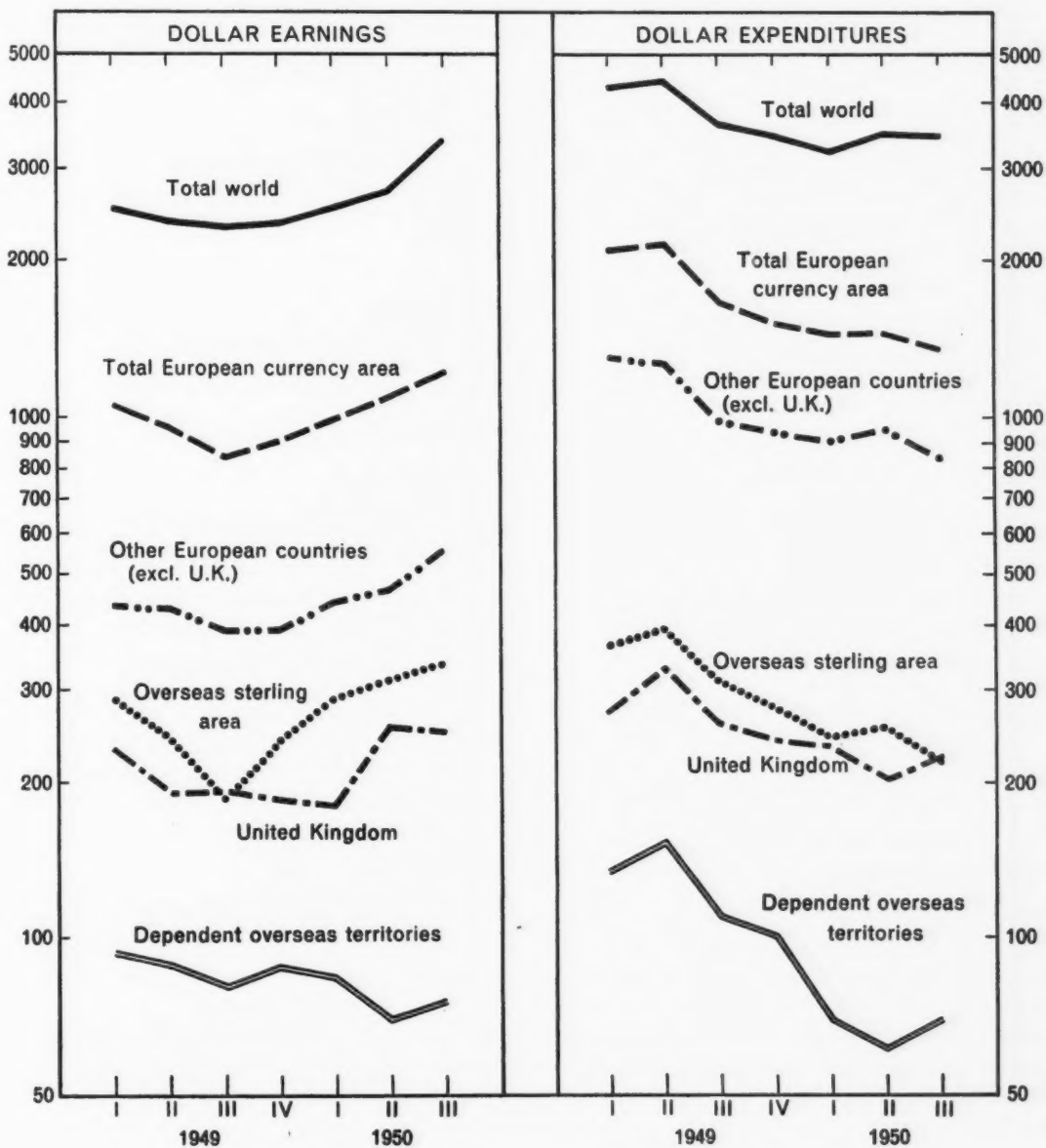
<sup>2</sup> For a fuller discussion of the evidence of clandestine capital movements afforded by the residual item in the United States balance of payments, see *Economic Survey of Europe in 1949*, pages 124-6.

<sup>3</sup> In the groupings given in Chart 2, the British colonies are included with the overseas sterling area and not, as in Table 2, with the dependent overseas territories.

Chart 2

DOLLAR EARNINGS AND EXPENDITURES OF THE EUROPEAN CURRENCY AREA  
AND OF THE WORLD AS A WHOLE IN TRANSACTIONS WITH THE UNITED STATES

Millions of current dollars  
(Semi-logarithmic scale)



Sources: The figures have been taken from *Survey of Current Business*, United States Department of Commerce.  
NOTE: — The British colonies are included in "overseas sterling area".

**Table 3**  
**GOLD AND SHORT-TERM DOLLAR ASSETS OF EUROPEAN COUNTRIES**  
*Millions of current dollars*

Country	End of September			Change	
	1948	1949	1950	1948 to 1949	1949 to 1950
United Kingdom <sup>a</sup> . . . . .	1,777	1,340	2,756	-437	+1,416
Switzerland . . . . .	1,900	2,044	2,133	+144	+ 89
France <sup>b</sup> . . . . .	708	690	779	- 18	+ 89
Belgium-Luxembourg . . . . .	775	842	711	+ 67	- 131
Italy . . . . .	364	538	561	+174	+ 23
Netherlands . . . . .	289	328	487	+ 39	+ 159
Germany : western zones <sup>c</sup> . . . . .	101	148	286	+ 47	+ 138
Other European countries . . . . .	1,399	1,281	1,345	-118	+ 64
<b>TOTAL . . . . .</b>	<b>7,313</b>	<b>7,211</b>	<b>9,058</b>	<b>-102</b>	<b>+1,847</b>

*Sources :* The figures are derived from *International Financial Statistics*, International Monetary Fund, and *Federal Reserve Bulletin*, Washington, D.C.

*NOTE.* — The data refer to the gold and dollar holdings of metropolitan areas only, excluding any such assets held directly by the dependent overseas territories. "Short-term dollar assets" includes both official and private holdings in U.S. banks.

<sup>a</sup> Gold, United States and Canadian dollars.

<sup>b</sup> Central bank gold holdings plus private and official dollar assets. Excluding gold holdings of the French Stabilization Fund, which are not reported publicly.

<sup>c</sup> Including balances opened by occupation authorities for trade purposes

alleviation of the pressure from private capital transfers, has far more than offset the curtailment by some \$1,650 million in United States Government grants and credits to European countries during the year since devaluation compared with the preceding year. The net result has been a marked improvement in European gold and dollar reserves, as may be seen from Table 2. In place of the previous net loss of more than \$300 million through gold sales to the United States, European countries were able to add to their dollar balances or to acquire gold from the United States in a total amount of almost \$1.5 billion during the twelve-month period subsequent to devaluation, exclusive of gold acquired directly from other overseas areas. A similar shift has occurred in the reserves of overseas countries, which, taken as a whole, increased their dollar balances and acquired gold from the United States to a total of more than \$1 billion in place of the net drain previously experienced. The improvement in the reserves of these countries was particularly marked in the third quarter of 1950, Canada's balances of United States dollars alone having risen by some \$500 million during that period.<sup>1</sup>

<sup>1</sup> See Table XVI in the Statistical Appendix.

The data on the gold and dollar holdings of individual European countries shown in Table 3<sup>2</sup> reveal that the change in reserves has not been uniformly distributed. Belgium experienced, in fact, a decline of roughly 15 per cent in its gold and dollar reserves during the year following devaluation, and Italy showed only a small increase. The experience of these two countries may have been related to the relatively small degree of devaluation of their currencies compared with those of most other European countries. On the other hand, Switzerland, which did not devalue at all, continued to accumulate reserves, though in somewhat smaller amount than in the preceding year.

The large increase in British gold and dollar reserves, which had previously suffered the heaviest drain, is doubtless attributable in considerable part to the reversal in speculative attitudes regarding the pound

<sup>2</sup> The changes in the totals in Table 3 for gold and dollar balances combined are not fully comparable with the figures in Table 2 for "foreign short-term balances in the United States" and "monetary gold movements"; while the data included on United States dollar balances should be the same, Table 2 records only gold transactions between European countries (as well as overseas areas) and the United States, whereas Table 3 would also reflect any other transactions influencing the gold stocks of European countries. In addition, the data for the United Kingdom in Table 3 include holdings of Canadian dollars.



after devaluation, although its gold and dollar position has benefited by the substantial improvement in its payments relationships as well as in those of the overseas sterling area with hard-currency countries. In so far as the rise in British reserves is attributable to the net gold and dollar receipts of the overseas sterling countries, the improvement must be set off against the increased sterling claims on the United Kingdom acquired by these countries in return for gold and dollars ceded to the central reserves. Moreover, their sterling holdings have tended to increase, not only as a result of these operations, but also through the improvement in their trade balance both with the United Kingdom and with other European countries,

which have drawn on their own sterling holdings in settlement. The improvement in the gold and dollar position of Europe has thus tended to be offset by the opposite development in payments relationships with overseas countries outside the dollar area. This shift in Europe's overseas balance-of-payments deficit is likely to receive further impetus through the increase during recent months in the prices of the primary goods making up the bulk of Europe's overseas imports, although sufficient data and experience are not yet available with respect to the more recent movements in trade, prices, and foreign exchange balances to permit an appraisal of the new problems of adjustment which may be faced.

## CHANGES IN THE STRUCTURE OF TAXATION IN EUROPE

*This is the first of a series of studies on problems of taxation in European countries. The present article compares tax structures in different countries and discusses the main developments which have taken place during recent years. It is hoped that future issues of this BULLETIN will include more detailed analyses of taxes on income and consumption in European countries.*

During the last two decades, the economic problems of taxation have acquired growing importance, not only because the volume of public expenditure has increased in all countries, but also because tax policy, partly as a result of this purely quantitative growth, has come to serve wider purposes. The redistribution of income is now a more important aim of tax policy and, at the same time, taxation has become a prime instrument for influencing the level of economic activity.

The purpose of this article is to appraise the broad changes in tax structures of European countries during the last twenty years. It was found necessary to restrict this investigation to the countries of northern, western and southern Europe where, in spite of profound differences between countries, the basic aims of taxation and its role in economic policy are similar. In the eastern European countries with planned economies, on the other hand, the distribution of income is now mainly influenced by other and more direct means, and taxation has been merged with price and wage policy. Tax policy has thus come to play a less important role and an appraisal of it could be made only as part of an integrated study of the new economic structures of these countries.

Even in those European countries considered in this article, the new developments in public finance make it difficult to deal with taxation in isolation. The main reason for this is that an increasing proportion of public expenditure has as its sole or main purpose the redistribution of income. Another factor is the greatly increased importance of social insurance funds and other "para-fiscal" bodies. It should be kept in mind that, throughout this article, both employers' and employees' social insurance contributions are disregarded, as well as public expenditure on such items as family allowances and food subsidies, which might well be considered as negative taxes.

Broadly speaking, three main trends can be detected over the last two decades: first, central taxation has greatly increased in importance as compared with local taxation; second, progressive income taxes levied on total personal income from all sources have tended to take the place of the older systems of "scheduled" taxes levied at fixed rates on different types of income, which have proved wholly inadequate as instruments of a modern tax policy; third, in the field of taxes on outlay, the most important development is the large-scale application, in nearly all countries, of general taxes on production and turnover, and a corresponding decrease in the relative importance of the traditional taxes on specific commodities.

In order to assess the quantitative importance of these new developments, data on tax receipts have been assembled for nineteen countries—that is, for all European countries outside eastern Europe. The basic figures are given in an appendix to this article, together with explanations of the methods employed. In order to provide perspective, figures are given for 1929 (or another year before the depression), for 1938 and for post-war years from 1947 onwards. As already mentioned, social contributions have been excluded throughout; capital levies and certain other extraordinary contributions are shown in a separate item and excluded from the total of tax receipts.

Any systematic classification of taxes is delicate and disputable. The difficulties inherent in tax classification for purely analytical purposes are greatly enhanced when the purpose is to classify, in a relatively restricted number of groups, the actual taxes collected in a large number of countries through extremely diversified systems of taxation. The classification adopted for the purpose of this article embraces nineteen categories and represents a compromise between the exigencies of analytical clarity, the availability of information and the necessity for keeping the number of groups within reasonable limits. Local government taxes are classified in three broad groups only.

### The Declining Importance of Local Taxation

Together with the rise in total taxation in relation to national income,<sup>1</sup> there has been during the last two decades a steady tendency towards a concentration of taxation in the hands of the central Government. It can be seen from Table 1 that, in all countries for which information is available, the share of local authorities in total taxation was smaller in post-war years than it was in 1938.<sup>2</sup>

Table 1

#### SHARE OF LOCAL GOVERNMENT TAXES IN TOTAL TAXATION

Percentages

Country	1929	1938	Post-war	
			Per cent	Year
United Kingdom . .	22	19	8	1949/50
Denmark . . . . .	40	32	25	1948/49
Finland . . . . .	27	26	17	1947
Norway . . . . .	48	37	32	1948/49
Sweden . . . . .	42	36	25	1947/48
Germany <sup>a</sup> . . . . .	22	20	14	1949/50
Netherlands . . . .	30	19	10	1947
Switzerland :				
Communes . . . .	27	26	24	1949
Communes and cantons . . . .	58	56	51	1949
Belgium . . . . .	..	10	6	1949
France . . . . .	19 <sup>b</sup>	16	13	1949
Italy . . . . .	23	20	18	1948/49

NOTE. — The pre-war figures refer to financial years ending in 1929 and 1938. For details concerning the distinction between central and local government taxes, see note on methods and sources.

<sup>a</sup> For the pre-war years, the figures refer to the whole of the pre-war territory ; for the post-war year, the figure refers to the three western zones only.

<sup>b</sup> 1926.

The declining importance of local taxation is the continuation of a development which was already under way in the 'thirties. It should be made clear that only those taxes the determination of which is partly or wholly the responsibility of local authorities are, in this article, classed as local taxes. Fixed shares of State taxes automatically transferred to local

authorities, whether directly or through a special fund for redistribution according to the financial needs of individual localities, are regarded as forming part of State taxation. The table therefore points to a general decline in the local authorities' autonomy in matters of tax policy, rather than to a relative decrease in the volume of expenditure by local governments. It is natural that, as the total tax burden becomes heavier, there should be pressure to eliminate local variations in taxation, quite apart from whether the expenditure of local authorities declines relatively to that of the central Government.

#### Distribution of Taxes by Main Groups

Some of the principal features in the tax structure of different countries, and the changes that have taken place, are brought out in Table 2 for central Government taxes and in Table 3 for local government taxes.

The proportion of total central Government taxation accounted for by the broad group of taxes on income, capital and enterprise varied in 1949 from 20 or 23 per cent in Italy and Greece to 60 per cent in the Netherlands. While the relative importance of this group of taxes tended in most countries to decline in the 'thirties, the changes between 1938 and 1949 were less uniform.

It is often assumed that the general tendency has been for taxes on income and capital to decline relatively, owing mainly to the introduction or increase of turnover taxes, and that only a few countries such as the United Kingdom and Norway have shown an opposite development. The facts, as they appear from Table 2, show a somewhat different picture.<sup>3</sup> The main tendency seems to be towards an increase in the share of taxation that falls on income and capital, the ordinary income taxes being, of course, by far the most important. Only in Finland, France, Greece and Italy—that is, the countries which have undergone heavy price inflations—and in Germany, has the relative importance of this group of taxes declined.<sup>4</sup> In Switzerland, Norway and the United

<sup>3</sup> In considering the figures for the Scandinavian countries in Table 2 (central Government), it should be borne in mind that income taxation in these countries is by far the most important source of revenue for local authorities. The ratio of taxes on income and capital to total receipts by the State and local authorities was, in 1948/49, 53, 44, 55 and 58 per cent in Denmark, Finland, Norway and Sweden respectively.

<sup>4</sup> It should be noted, however, that the German figure for 1949/50 (42 per cent) includes only ordinary taxes on income, capital, etc. If the extraordinary levies for "immediate help" and "Berlin sacrifice" are added, the percentage rises to 47, which is slightly higher than in 1937/38.

<sup>1</sup> For information on the share of national income absorbed through taxation, see *Economic Survey of Europe in 1949*, pp. 274-5. It should be noted that the figures given in Part B of that table include social insurance contributions.

<sup>2</sup> In Switzerland, this development is not evident if local taxation is taken to include communes only, but if the federal taxes are compared with the sum of communal and cantonal taxes, it is clearly seen that an increasing part of total taxation is levied by the federal authorities.

**Table 2**  
**DISTRIBUTION OF CENTRAL GOVERNMENT TAXES**  
*Percentages*

Country	Taxes on real estate			Taxes on income, capital and enterprise			Turnover taxes			Consumption taxes			Customs duties		
	1929	1938	1949	1929	1938	1949	1929	1938	1949	1929	1938	1949	1929	1938	1949
<i>British Isles</i>															
United Kingdom . . . . .	—	—	—	59	56	57	—	—	8	39	37	33	2	7	2
Ireland . . . . .	—	—	—	30	34	38	—	—	—	64	58	57	6	8	5
<i>Scandinavia</i>															
Denmark . . . . .	3	5	2	34	38	44	—	—	—	47	48	51	16	9	3
Finland . . . . .	—	—	—	30	29	24	—	—	34	36	50	37	34	21	5
Iceland . . . . .	3	3	—	25	21	27	—	—	7	37	50	35	35	26	31
Norway . . . . .	—	—	—	35	33	35	—	7	22	47	46	39	18	14	4
Sweden . . . . .	—	—	—	37	36	49	—	—	—	43	50	46	20	14	5
<i>Central Europe and Netherlands</i>															
Austria . . . . .	—	—	—	36	33	53	19	23	23	25	29	22	20	15	2
Germany <sup>a</sup> . . . . .	11	6	—	46	45	42	13	20	28	24	25	28	6	4	2
Luxembourg . . . . .	—	—	—	31	41	58	18	12	20	28	16	8	23	31	14
Netherlands . . . . .	4	1	—	55	51	60	—	10	20	29	24	12	12	14	8
Switzerland . . . . .	—	—	—	55	50	51	—	—	22	24	33	19	21	17	8
<i>Western and Southern Europe</i>															
Belgium . . . . .	4	4	1	43	31	49	21	27	28	15	22	18	17	16	4
France . . . . .	3	2	—	46	42	34	19	18	45	29	33	20	3	5	1
Greece . . . . .	4	4	2	30	24	20	—	6	22	29	30	32	37	36	24
Italy . . . . .	2	5	1	43	36	23	4	11	24	41	41	46	10	7	6
Portugal . . . . .	12	13	8	34	39	48	9	1	2	15	18	21	30	29	21
Spain . . . . .	11	12	9	40	41	48	—	—	—	28	33	36	21	14	7
Turkey . . . . .	14	7	3	16	35	40	11	12	22	39	24	24	20	22	11

NOTE. — The figures refer to financial years ending in the calendar years indicated, with the following exceptions: Austria and Iceland: 1937; Belgium: 1930; France: 1926; Spain: 1935; Turkey, Iceland and Spain: 1948; Denmark, Germany, Ireland, Italy, Sweden and United Kingdom: 1949/1950.

Wherever possible, "consumption taxes" includes customs duties for the commodities (tobacco, spirits, etc.) specified in the Appendix table and

correspondingly, the figures in the last three columns are net of duties paid on these commodities. Figures in italics indicate that no break-down of customs duties is available.

<sup>a</sup> For the pre-war years, the figures refer to the whole of the pre-war territory; for the post-war year, they refer to the three western zones only.

Kingdom, no significant increase has taken place. In Switzerland, the constitution has limited the development of direct taxation by the Federal Government; in Norway and the United Kingdom, income taxes were already highly developed before the war and, as the heavy subsequent increase in the rates and progression of income taxes has not been more than enough to keep pace with the rise in public expenditure, their share in total taxation has remained unchanged. In all other countries considered in this paper, the share of taxes on income has risen distinctly in comparison with pre-war; in some countries the increase has been striking.

Nevertheless, it remains true that the increasing scope given to turnover taxes <sup>1</sup> is the outstanding feature of tax policy during the last two decades. In many countries turnover taxes now account for around 20 per cent of all state taxes, and their share is still higher in some countries, such as Germany (where turnover taxes were first applied on a large scale), Belgium, Finland and particularly France, where turnover taxes account for no less than 45 per cent of the total.

<sup>1</sup> Under this heading are included all taxes on production, transport and sale, provided that they embrace a fairly wide range of commodities.



There can hardly be any doubt that turnover taxes have come to stay as an important source of Government revenue. In most countries they had already become fairly important before the war, and only in Finland, Switzerland and the United Kingdom do they represent a wholly new feature in the system of taxation. In Denmark and Sweden, the general turnover taxes introduced during the war were afterwards abolished.

The main advantage of a general turnover tax is that its level can be easily and rapidly changed, so that it is a particularly convenient instrument for a financial policy which attempts to direct the total flow of income according to changing circumstances. In its simplest form, a turnover tax is non-discriminatory between commodities and hence neutral as between consumers belonging to different income-groups. Turnover taxes as levied in European countries are, however, generally made mildly progressive through the exemption of food and other necessities. In the United Kingdom, the purchase tax is strongly progressive: not only are most items of mass consumption untaxed, but also the rates for different commodities vary considerably according to their more or less pronounced luxury character. Moreover, with the single exception of commercial vehicles, all the goods taxed are consumers' goods.

The rapidity of the development of turnover taxes—often first introduced as an emergency measure—explains the manifold and rather improvised forms of imposition and collection which have been adopted. The two most important questions for the legislator to decide are whether the tax falling on a commodity should be influenced by the number of transactions it undergoes, and whether it should be collected only at one stage in the chain of transactions (as is the case with the purchase tax in the United Kingdom), or at several successive stages (as in Germany and Italy). No single solution to the problem of rationalization of turnover taxes has as yet been established as the dominating practice. An interesting innovation was introduced in France in 1949, when the production tax, the most important item in the system of turnover taxes, was reformed. Previously, the tax had been levied once, at the point when goods were sold by the last producer in the chain of transactions. Now, each producer is liable to the production tax, but he can deduct the amounts paid by those producers from whom he had bought materials entering into his final product. The production tax is thus in fact a tax on

value added. In Italy, there is a general agreement among experts that the system of turnover taxes is badly in need of reform, mainly because the system of taxing a commodity at all stages discriminates against home production in favour of imports and puts an artificial premium on vertical integration.

Since the relative importance of both turnover taxes and taxes on income has increased in the majority of countries, it is not astonishing that the importance of the old family of consumption taxes, the third big group of taxes, has decreased in comparison with pre-war. The Scandinavian countries, where turnover taxes have not been adopted—or only reluctantly—still appear as the stronghold of taxation of luxury articles of mass consumption.

The proceeds of customs duties, when seen in relation to total tax receipts, have generally shrunk to almost insignificant proportions.<sup>1</sup> An increase in the relative importance of customs duties is seen only in Iceland, where the volume of imports in recent years has been several times higher than before the war. The declining importance of customs duties is the continuation of a development which was already apparent in the 'thirties. Although in some countries, such as Italy and France, the recent adaptation of specific duties to the new price level may lead to an increase in their proceeds, it may safely be concluded that for most European countries the purely fiscal interest involved in protection is very small indeed.

Taxes on real estate levied by the State, which are mostly remnants of older tax systems, have continued to decline in relative importance. The same is true, to some extent, of local taxes on real estate, as can be seen from Table 3, which gives the distribution of local taxes by main groups. The steep rise in the figures for real estate taxes in the Netherlands is a reflection of the taking over by the State of an important part of other local taxes, rather than of an absolute increase in taxes on real estate. In the United Kingdom, the only tax levied by local authorities is a tax on real estate ("local rates") of which the larger part falls on dwellings, as agricultural land is wholly exempt and industrial buildings are taxed at a reduced rate. Local taxes on consumption are of importance in only a few of those countries for which data are available.

<sup>1</sup> The percentages shown in Table 2 refer, wherever possible, to customs receipts net of duties on the typical objects of consumption taxes—tobacco, alcohol, etc.

**Table 3**  
**DISTRIBUTION OF LOCAL GOVERNMENT TAXES**

*Percentages*

Country	Year for which post-war data are given	Taxes on real estate			Taxes on income, capital and enterprise			Taxes on consumption		
		1929	1938	Post-war	1929	1938	Post-war	1929	1938	Post-war
United Kingdom . . . . .	1949/50	100	100	100	—	—	—	—	—	—
Denmark . . . . .	1948/49	36	34	25	60	63	73	4	3	2
Finland . . . . .	1947	—	—	—	95	96	92	5	4	8
Norway . . . . .	1948/49	7	9	3	93	91	97	—	—	—
Sweden . . . . .	1947/48	19	18	11	79	80	87	2	2	2
Germany <sup>a</sup> . . . . .	1949/50	59	39	44	33	52	45	8	9	11
Netherlands . . . . .	1947	11	37	38	86	57	54	3	6	8
Switzerland . . . . .	1949	..	..	..	98 <sup>b</sup>	98 <sup>b</sup>	98 <sup>b</sup>	2	2	2
France . . . . .	1949	..	..	14	..	..	39	..	..	47
Italy . . . . .	—	32	36 <sup>c</sup>	..	32	26 <sup>c</sup>	..	36	38 <sup>c</sup>	..

NOTE. — The pre-war figures refer to the financial years ending in 1929 and 1938.

<sup>a</sup> For the pre-war years, the figures refer to the whole of the pre-war territory;

for the post-war year, they refer to the three western zones only.

<sup>b</sup> Including taxes on real estate in the communes of certain cantons.

<sup>c</sup> Financial year 1935/36.

### *Trends in Income Taxation*

As is well known, the income tax systems of European countries fall into two broad groups. In the first group are the British Isles, Scandinavia and central Europe (including the Netherlands), where the main instrument of direct taxation is a progressive income tax, levied on total personal income, regardless of the source from which income is derived, and based on compulsory annual declarations of actual income. In the other group are the countries of southern Europe, Belgium and (until the recent reform) France, where income is taxed through a number of so-called scheduled taxes. Under this system each type of income is taxed separately, the tax liability varying, in principle, with the nature of each specific part of income and not with the total income of the person in question.<sup>1</sup> For instance, in France, before the recent reform, the system consisted of the following seven taxes: tax on land, on buildings, on agricultural income, on wages and salaries, on liberal professions, on income from industrial and commercial enterprises

and on income from financial investments. Each type of income is taxed independently at flat rates and, in most cases, without regard to the family circumstances of the taxpayer. In addition to the scheduled taxes just mentioned, a progressive "complementary" tax is often levied on the total income of private individuals. This tax is, in principle, comparable with general income taxes in modern tax systems, but plays only a minor role. It is in the logic of this system not to have an independent tax on corporate profits.

The main reason why such a system of scheduled taxes is inadequate under modern conditions is that it cannot be made systematically progressive. In fact, a certain degree of progression is sometimes introduced by the application of different rates for different types of income, but this often gives rise to flagrant inequalities in the tax burden on incomes of the same size,<sup>2</sup> and this inequality provides a convenient moral justification for the taxpayer who wants to evade taxes. Indeed, the difficulty of combating tax evasion in these countries may partly be explained by the fact

<sup>1</sup> Although the United Kingdom tax administration distinguishes a number of "schedules", the tax is assessed on total income and is not a "scheduled" tax in the sense in which the term is used here.

<sup>2</sup> For instance, in Italy income tax ("ricchezza mobile") is levied on wage and salary incomes at rates of 4 to 8 per cent as against 18 per cent for entrepreneurial income and 22 per cent for interest from investments.

that tax evasion does to some extent correct the absurdities inherent in the tax legislation. Another consequence of the inequality of tax burdens under the system of scheduled income taxes is that the tax can be shifted in a way not intended by the legislator.<sup>1</sup>

A further common characteristic of the income taxation in these countries is that the tax liability is established in many cases not by declarations of actual income by the taxpayer, but by estimates on the basis of "normal yields" or by crude evaluations based on outward indices of wealth or consumption. Such methods of assessment are liable to give underestimates of actual income, particularly in periods of rising prices.

The fundamental difference between the tax systems in the two groups of countries just mentioned is clearly brought out in Table 4, where the broad category of "taxes on income, capital and enterprise" is analysed in more detail. The first sub-group, "general income tax levied on persons", includes only those taxes on the income of private individuals which are based—at least in principle—on declarations of actual total income, regardless of the source from which the income has been derived.<sup>2</sup> In the fourth sub-group, "taxes on specific types of income", are included all sorts of scheduled taxes and other partial income taxes, with the exception of taxes on land and buildings which have been classified as taxes on real estate. Thus, the appearance of a high or a low figure in the first line of the table (and, correspondingly, a low or a high figure in the fourth line) divides the countries into the two groups of countries with and without a modern system of income taxation. Until recently the composition of these two groups of countries had long remained unchanged. But since the radical tax reforms carried through in France (December 1948) and Turkey (July 1949) these two countries have now established an income tax in the modern sense of the word. In the case of France, the transition to the new system is already evident in the table; in Turkey the reform has not yet come into effect.

<sup>1</sup> See, for instance, J. Marchal: "L'incidence des impôts cédulaires sur le revenu" in *Openbare Financiën*, Vol. IV, No. 4, pp. 323 *et seq.* Alphen aan den Rijn, Netherlands, 1949.

<sup>2</sup> It also includes taxes on wage earnings where these are part of a general income tax, although in some of the countries where the tax is collected by "stoppage at the source" the personal circumstances of the taxpayer are only partly taken into account.

These two main groups of countries may most conveniently be considered in turn.

In all countries of the first group, with the exception of the United Kingdom, the proceeds from the general income tax in relation to other taxes on income and capital have increased conspicuously compared with pre-war.<sup>3</sup> In a general way, this may be explained by the fact that taxes related to capital values, such as death duties and other taxes on the transfer of property, do not increase automatically with an increasing level of prices and money incomes. The same is true for such kinds of "enterprise taxes" as are levied in more or less fixed amounts and which enter into the group "taxes on specific types of income". In the same group are special taxes on income from money capital, the proceeds from which have tended to decrease relatively in countries pursuing a cheap-money policy.

In all countries of the group now considered—again with the exception of the United Kingdom—the personal income tax is supplemented by an independent tax on the net property of persons,<sup>4</sup> by which the general principle of non-discrimination according to the source of income is modified. Twenty years ago this tax held an important place in tax systems, but its relative importance has since then declined steeply and it now accounts, in most countries, for only a small percentage of total receipts from taxes on income and capital.<sup>5</sup> The general reason for the relative decline in the yields from personal property taxes lies in the fact that, when a certain degree of progression is arrived at, income tax tends to defeat property tax, since both cannot easily be sharpened at the same time, and at high rates of taxation the property tax, based as it is on normal rather than actual yield, becomes a clumsy instrument, calling for modifications and exemptions.<sup>6</sup>

<sup>3</sup> In the United Kingdom the decline in the ratio of personal income tax to all taxes on income and capital is the result of the introduction of a new tax on corporate profits which has more than offset the decline in the relative importance of death duties.

<sup>4</sup> In Sweden a fully independent tax on property has existed only since 1948.

<sup>5</sup> In Italy also, the general property tax was abolished in 1948 in connection with the introduction of an extraordinary levy on property.

<sup>6</sup> The relative importance of the property tax is probably highest in Switzerland. Unfortunately, sufficiently detailed statistics of cantonal taxation to bring this out are not available.

Table 4

## DISTRIBUTION OF CENTRAL GOVERNMENT TAXES ON INCOME, CAPITAL AND ENTERPRISE

Percentages

Item	United Kingdom			Ireland			Denmark			Finland			Iceland			Norway			Sweden		
	1928 /29	1937 /38	1949 /50	1928 /29	1937 /38	1949 /50	1928 /29	1937 /38	1949 /50	1929	1938	1949	1929	1937	1948	1928 /29	1937 /38	1948 /49	1928 /29	1937 /38	1949 /50
General income tax levied on persons . . . . .	60	62	52	69	65	70	40	57	75	76	42	56	37	64	58	42	52	51	54	63	
General property tax levied on persons . . . . .	—	—	—	7	8	9	26	19	8	—	41	33	45	9	6	17	9	4	20	24	25
Profit tax on corporations . . . . .	—	13	37	—	—	—	—	9	12	—	—	—	—	6	19	22	22	27	—	—	—
Taxes on specific types of income . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9	3	—	—	—
Death duties, gift duties, etc. . . . .	20	19	9	16	15	15	11	8	3	24	5	2	3	3	1	5	4	2	9	9	3
Other taxes on transfer of property (stamps, etc.) . . . . .	7	5	2	8	12	6	15	7	2	—	12	8	13	18	7	18	14	12	18	12	2
Miscellaneous . . . . .	1	1	—	—	—	—	—	—	—	—	—	1	39	27	3	—	—	—	2	1	2
Total, taxes on income, capital and enterprise . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Percentage of all central government taxes . . . . .	59	56	57	30	34	38	34	38	44	30	29	24	25	21	27	35	33	35	37	36	49

Item	Austria			Germany <sup>a</sup>			Luxembourg			Netherlands			Switzerland		
	1929	1937	1949	1928 /29	1937 /38	1949 /50	1929	1938	1949	1929	1938	1949	1929	1938	1949
General income tax levied on persons . . . . .	36	27	59	65	63	72	57	60	87	35	60	65	66	70	83
General property tax levied on persons . . . . .	3	2	2	9	6	2	—	—	4	12	9	3	—	—	—
Profit tax on corporations . . . . .	19	15	9	13	24	23	—	—	—	8	6	13	—	—	—
Taxes on specific types of income . . . . .	16	11	15	2	2	—	12	10	2	11	1	14	7	11	5
Death duties, gift duties, etc. . . . .	—	—	—	2	1	—	5	4	1	15	13	3	6	5	3
Other taxes on transfer of property (stamps, etc.) . . . . .	24	23	8	9	6	2	25	25	5	19	10	2	17	10	5
Miscellaneous . . . . .	2	21	7	—	—	1	1	1	1	—	—	—	4	4	4
Total, taxes on income, capital and enterprise . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Percentage of all central government taxes . . . . .	36	33	53	46	45	42	31	41	58	55	51	60	55	50	51

Item	Belgium			France			Greece			Italy			Portugal			Spain			Turkey		
	1930	1938	1949	1926	1938	1949	1928 /29	1937 /38	1948 /49	1928 /29	1937 /38	1949 /50	1928 /29	1938	1949	1929	1935	1948	1928 /29	1937 /38	1948
General income tax levied on persons . . . . .	2	9	8	19	13	28	4	4	1	5	8	9	5	7	11	—	1	3	—	—	—
General property tax levied on persons . . . . .	—	—	—	—	—	—	—	—	—	10	3	—	—	—	—	—	—	—	—	—	—
Profit tax on corporations . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taxes on specific types of income . . . . .	64	65	82	33	46	28	43	52	18	54	52	45	41	6	39	48	48	59	50	74	89
Death duties, gift duties, etc. . . . .	14	8	3	9	10	5	1	3	6	12	10	14	12	10	14	46	46	36	3	1	1
Other taxes on transfer of property (stamps, etc.) . . . . .	20	18	7	39	31	17	31	34	48	29	31	40	34	41	29	46	46	36	36	13	9
Miscellaneous . . . . .	—	—	—	—	—	—	18	4	20	1	3	—	8	6	7	6	5	2	11	12	1
Total, taxes on income, capital and enterprise . . . . .	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Percentage of all central government taxes . . . . .	43	31	49	46	42	34	30	24	20	43	36	23	34	39	48	40	41	48	16	35	40

<sup>a</sup> For the pre-war years, the figures refer to the whole of the pre-war territory; for the post-war year, they refer to the three western zones only.



In the lower part of Table 4 are found the countries in which no income tax in the strict sense exists—or only embryonic forms of it. In the inter-war period, all these countries (with the exception of Turkey) supplemented their systems of scheduled taxes by the introduction of a tax on total personal income, most often called the “complementary” tax. It appears from the table, however, that the proceeds of this tax have remained quite insignificant; in 1949 Portugal was the only country where they amounted to as much as 5 per cent of all central Government taxes.

Another characteristic of the tax structure in this group of countries is the preponderance of taxes on the transfer of property, which points to the survival of a host of old taxes on legal and commercial transactions and the like, of which the Italian “bollo” may be regarded as typical. Indeed, in some of these countries, for lack of better methods of collection, the citizens are asked to pay a tax virtually every time they come into contact with the authorities. Thus, in Italy, the taxes lumped together under the heading “taxes on the transfer of property, etc.” accounted in 1949/50 for no less than 9 per cent of all central Government tax receipts, as against 12 per cent for income taxes. In general, the relative importance of receipts from these sources has tended to decline, and in Belgium they can no longer be regarded as high.

#### *Recent Tax Reforms*

It has already been mentioned that the entire system of taxation in France has recently been thoroughly reformed. The new system, which came into effect at the beginning of 1949, consists of a tax on total personal income, divided into a proportional and a progressive tax in much the same way as in the United Kingdom.<sup>1</sup> At the same time an independent tax on corporate profits was introduced. Together with the old “impôts cédulaires” a number of other obsolete taxes were abolished. As mentioned above, the turnover taxes were also modernized.

<sup>1</sup> The most important difference between the new French system and the income taxes of most other countries is that, broadly speaking, in France no income tax proper is paid by the majority of wage-earners. Instead of wage-earners paying income tax on their earnings, their employers pay a tax (“versement forfaitaire sur les salaires”) of 5 per cent of the wage-bill. In the tables, this tax has been classified with “taxes on specific types of income”.

In Italy, the need for a reform of the system of taxation has been felt since the end of the First World War. In 1948, a committee appointed by the Minister of Finance propounded a plan for the introduction of a unified proportional tax on the total income of persons, supplemented by a progressive tax similar to the British “surtax”, a separate tax on corporate profits and a reform, similar to the French one, of the turnover taxes. There seem to be no prospects of these plans being carried out in the near future, except perhaps for the reform of the turnover tax. Meanwhile, a first step to strengthen the income tax has been made in the form of technical improvements of the existing system of assessment. The most important point is the introduction of a compulsory yearly declaration for income taxes. This means that taxes can now be evaded only by the positively illegal act of a false declaration, instead of the system of “tacit confirmation” by taxpayers of income assessed in previous years.

Although this is important as a first step, the fact remains that the Italian tax system is inadequate in comparison with those of other countries at a similar level of economic development.<sup>2</sup>

Perhaps the most interesting event in post-war tax legislation is the Turkish tax reform, which was finally adopted in 1949 and comes into effect as from 1951. Hitherto, Turkey had a complicated and inefficient system of special taxes much like those in other southern European countries. The reform, which has been in preparation since 1945, faces the fact that Turkey, as regards her economic structure, is on the borderline between Europe and Asia. Highly developed capitalistic forms of production exist side by side with primitive small-scale industry and trade for which a modern income tax, based on declarations of actual income, could not possibly function. The dilemma has been solved by the introduction of a personal income tax (and a separate tax on corporate profits) to be applied only to those parts of the economy which are ripe for it (namely, profits in relatively large-scale industry and trade, wages, incomes in the liberal professions, etc.), while for small-scale trade and handicrafts a separate law

<sup>2</sup> The inefficiency of income taxation in Italy may be gauged from the fact that in 1950 total income assessed to tax on “ricchezza mobile”, which should cover all income except rent of land and buildings, amounted to less than 1,200 billion lire, while total national income at factor cost is estimated to be about 6,000 billion lire.

**Table 5**  
**DISTRIBUTION OF CENTRAL GOVERNMENT TAXES ON CONSUMPTION, INCLUDING CUSTOMS DUTIES**  
*Percentages*

Country	Tobacco		Alcoholic beverages		Coffee and tea		Sugar		Petrol and motor vehicles		Miscellaneous		Customs duties		
	1929	1938 1949	1929	1938 1949	1929	1938 1949	1929	1938 1949	1929	1938 1949	1929	1938 1949	1929	1938	1949
<i>British Isles</i>															
United Kingdom . . . . .	21	22 47	47	30 31	2	2 —	5	3 1	15	24 9	6	4 7	4	15	5
Ireland . . . . .	22	28 40	44	34 28	—	—	6	3 —	8	17 17	12	5 7	8	13	8
<i>Scandinavia</i>															
Denmark . . . . .	16	15 31	24	24 29	2	7 1	4	5 1	16	27 17	13	6 15	25	16	6
Finland . . . . .	15	14 20	—	19 37	9	7 15	14	15 2	6	9 6	7	6 7	49	30	13
Iceland . . . . .	15	18 14	19	26 30	..	..	..	..	1	6 4	17	16 5	48	34	47
Norway . . . . .	13	12 22	34	31 43	3	3 1	11	11 2	6	14 10	6	6 12	27	23	10
Sweden . . . . .	17	16 20	29	32 32	4	4 1	5	—	13	21 22	—	4 15	32	23	10
<i>Central Europe and Netherlands</i>															
Austria . . . . .	33	28 57	12	12 20	..	..	3	9 2	(—)	(8) (2)	7	10 10	45	33	9
Germany <sup>a</sup> . . . . .	30	25 48	24	14 18	7	8 (7)	6	8 8	10	15 (7)	4	15 4	19	15	8
Luxembourg . . . . .	..	..	51	27 28	..	..	..	..	2 <sup>b</sup>	5 <sup>b</sup> 7 <sup>b</sup>	2	2 1	45	66	64
Netherlands . . . . .	11	13 28	23	14 14	..	..	24	21 12	4 <sup>b</sup>	8 <sup>b</sup> 5 <sup>b</sup>	9	7 1	29	37	40
Switzerland . . . . .	7	10 19	14	17 11	—	2 2	3	7 6	24	24 27	6	6 6	46	34	29
<i>Western and Southern Europe</i>															
Belgium . . . . .	7	8 21	(28) (22)	(22)	..	..	2	4 1	(3)	(10) (31)	8	14 7	52	42	18
France . . . . .	24	25 45	24	17 15	2	2 ..	6	6 —	7	23 21	26	15 13	11	12	6
Greece . . . . .	22	28 33	7	6 5	—	—	..	..	..	.. 1	16	12 18	55	54	43
Italy . . . . .	29	29 37	10	3 3	7	5 (3)	15	12 8	6	17 15	14	19 22	19	15	12
Portugal . . . . .	18	16 22	..	..	..	..	..	..	..	..	15	23 28	67	61	50
Spain . . . . .	18	20 8	3	3 3	..	..	7	7 2	13	25 25 <sup>c</sup>	16	15 46	43	30	16
Turkey . . . . .	..	..	..	..	..	..	..	2 15	..	..	67	51 53	33	47	32

NOTE. — The figures refer to financial years ending in the calendar years indicated, with the following exceptions: Austria and Iceland: 1937; Belgium: 1930; France: 1926; Spain: 1935; Iceland, Spain and Turkey: 1948; Denmark, Germany, Ireland, Italy, Sweden and United Kingdom: 1949/50.

Wherever possible, the figures for specific commodities include both excise and customs duties and, correspondingly, the figures in the last three columns are net of duties paid on these commodities. Figures in italics indicate that no break-down of customs duties is available and

consequently, only excise duties are given for the specified commodities. In instances where inability to include customs duties impairs the comparability of the figures within a given country, the figures are shown in brackets.

<sup>a</sup> For the pre-war years, the figures refer to the whole of the pre-war territory; for the post-war year, they refer to the three western zones only.

<sup>b</sup> Motor vehicles only.

<sup>c</sup> Petrol only.

introduces a system of non-personal taxation based on outward indices of earning capacity (namely, the nature of the enterprise, the size of the town, and rent actually paid). On the whole, the Turkish reform appears to be an adequate solution of the particular problems of the country, and it might perhaps serve as a model for other countries at a similar stage of development.<sup>1</sup>

#### *Methods of Tax Collection*

The foregoing discussion has shown that the trend of taxation policy in Europe has been away from the separate determination of liability to tax on incomes from different sources. At the same time, in the actual collection of tax increasing use has been made of the diversity of sources of income. In the case of both wages and income from capital, the technique of withholding at the source is becoming more widely applied. After the reforms of tax collection in Finland, Italy, Sweden and the United Kingdom, there appear to be only five countries where withholding of tax on wages is not practised (Denmark, Iceland, Ireland, Norway and Switzerland). Another recent development is the payment of tax on non-contractual income as it is earned, on the basis of a preliminary assessment. This method was, for instance, recently introduced in France and Sweden.

#### *Taxes on Consumption*

It has already been mentioned that the share of commodity taxes (excise) on particular luxury commodities of mass consumption has tended to decline. The distribution of taxes within this group by main commodities can be seen from Table 5, from which some fairly general trends may be discerned. The share borne by tobacco, which did not change much during the 'thirties, increased considerably in nearly all countries during the following decade, owing both to increases in demand and to rises in rates of taxation. In 1949, the yield from tobacco taxation alone amounted to around half of all commodity taxes (including customs duties) in France, Germany, the United Kingdom and Austria. In the latter country, however, tobacco taxation has since been reduced. The share of taxes on alcoholic beverages, which is particularly high in the Scandinavian coun-

Table 6

#### CONSUMPTION TAXES <sup>a</sup> AS PERCENTAGE OF TOTAL PERSONAL OUTLAY ON CONSUMPTION

Country	1938	1949
United Kingdom <sup>b</sup> . . . . .	7	15
Denmark . . . . .	7	10
Finland . . . . .	8	13
Norway . . . . .	7 <sup>c</sup>	10
Sweden <sup>d</sup> . . . . .	6	11
Austria . . . . .	6 <sup>e</sup>	6
Germany <sup>f</sup> . . . . .	7	8
Netherlands . . . . .	4	4
Belgium . . . . .	4	5
France . . . . .	6	5
Italy . . . . .	8	8

<sup>a</sup> Central government taxes included in Group IV of the table in the Appendix.

<sup>b</sup> Taxes in financial years 1938/39 and 1949/50 have been related to consumer expenditure in 1938 and 1949.

<sup>c</sup> Taxes in 1937/38 have been related to consumer expenditure in 1939.

<sup>d</sup> Pre-war figures refer to the financial year 1938/39. Post-war, the average of tax receipts in 1948/49 and 1949/50 has been related to a preliminary estimate for personal consumption in the calendar year 1949.

<sup>e</sup> 1937.

<sup>f</sup> The 1938 figure refers to the whole of the pre-war territory; the 1949 figure refers to the three western zones only.

tries, has also increased in most cases, although in the main wine-producing countries it has tended to decline. Switzerland stands out as a country with relatively moderate taxation of both tobacco and beverages. Taxation of sugar is largely to be regarded as an historical relic and is of decreasing importance. In some countries, sugar has become an object of subsidy, rather than of taxation. Restrictions on consumption have caused some relative decline in the importance of the newcomers to the family of heavily taxed commodities, petrol and motor vehicles, especially in Denmark, the United Kingdom, Germany and Austria.

Finally, in Table 6, the proceeds from the traditional excise duties have been expressed as a percentage of total personal outlay on consumption. The figures should be taken to indicate only rough orders of magnitude, and they are of limited significance, since the taxes include unknown amounts of duties on petrol and motor vehicles which do not fall directly on consumption, and since Government subsidies to consumers are not taken into account. Measured in this crude way, the burden of excise taxation appears to have risen significantly only in Scandinavia and the United Kingdom.

<sup>1</sup> For a detailed description of Turkish tax legislation, past and present, see F. Neumark: *Theorie und Praxis der modernen Einkommensbesteuerung*, Berne, 1947, pp. 414-433.

Appendix to "Changes in the Structure of Taxation in Germany"  
REVENUE FROM TAXATION IN GERMANY  
In millions of marks

Item	Item No.	Austria (Million schillings)				Belgium (1,000 million francs)					1928/29 1929/30
		1929	1937	1948	1949	1930	1938	1947	1948	1949	
<b>A. Central Government</b>											
I. Taxes on real estate . . . . .	1	—	—	—	—	0.35	0.35	0.26	0.43	0.38	11
<b>II. Taxes on income, capital and enterprise :</b>											
General income tax levied on persons . . . . .	2	182	125	1,316	2,088	0.07	0.28	1.10	2.56	2.44	52
General property tax levied on persons . . . . .	3	17	10	51	59	—	—	—	—	—	34
Profit tax on corporations . . . . .	4	96	68	134	320	2.20	1.92	10.27	19.99	23.58	11
Taxes on specific types of income . . . . .	5	80	50	286	550	0.48	0.24	0.99	0.98	0.92	15
Death duties, gift duties, etc. . . . .	6	122	4	9	279	0.69	0.53	1.73	2.04	1.98	19
Other taxes on transfer of property (stamps, etc.) . . . . .	7	106	138			—	—	—	—	—	
Miscellaneous . . . . .	8	10	99	43	263						
Total, group II . . . . .	9	507	462	1,977	3,559	3.44	2.97	14.09	25.57	28.92	131
III. Turnover taxes . . . . .	10	263	325	812	1,519	1.70	2.57	17.33	17.59	16.89	—
<b>IV. Taxes on consumption : <sup>b</sup></b>											
Tobacco . . . . .	11	210	171	1,102	925	0.19	0.31	3.15	3.18	2.64	37
Beer . . . . .	12	33	42	49	84	0.26	0.44	0.74	0.92	1.00	25
Other alcoholic beverages . . . . .	13	45	34	126	249	(0.47)	(0.35)	(1.88)	1.96	1.82	33
Coffee and tea . . . . .	14	..	..	..	..	..	..	..	0.01	0.01	5
Sugar . . . . .	15	21	55	21	34	0.04	0.13	0.13	0.16	0.16	10
Cocoa, chocolate, sweets . . . . .	16	..	..	..	..	..	..	..	0.03	0.02	10
Petrol . . . . .	17	(—)	(49)	(1)	..	(—)	(0.17)	(0.08)	(2.28)	(2.58)	14
Motor vehicles . . . . .	18	(—)	(1)	(24)	(30)	(0.08)	(0.19)	(0.55)	1.23	1.35	25
Miscellaneous . . . . .	19	41	63	69	164	0.20	0.51	1.01	1.09	0.93	21
Total, group IV . . . . .	20	350	415	1,392	1,486	1.24	2.10	7.54	10.86	10.51	180
V. Customs duties <sup>b</sup> . . . . .	21	286	208	45	143	1.34	1.54	3.70	2.16	2.30	59
Total, central government taxes . . . . .	22	1,406	1,410	4,226	6,707	8.07	9.53	42.92	56.61	59.00	381
<b>B. Local Government</b>											
I. Taxes on real estate . . . . .	23	..	..	..	..	..	1.11	3.10	5.47	3.13	94
II. Taxes on income, capital and enterprise . . . . .	24	..	..	..	..	..	..	..	..	..	154
III. Taxes on consumption . . . . .	25	..	..	..	..	—	—	—	—	0.43	10
Total, local government taxes . . . . .	26	..	..	..	..	..	1.11	3.10	5.47	3.56	258
Total, central and local government taxes . . . . .	27	..	..	..	..	..	10.64	46.02	62.08	62.56	639
Capital levies and similar extraordinary taxes . . . . .	28	—	—	—	—	—	—	6.77	6.54	6.28	—

Sources : Research and Planning Division, Economic Commission for Europe. For details of definitions, classification and sources, see the figures on sources and methods.

<sup>a</sup> The pre-war figures refer to the whole of the pre-war territory ; the post-war figures refer to the western zones only.

the figures on sources and products and several in commodities



Changes in the Structure of Taxation in Europe"

CHANGES IN GROUPS OF TAXES

In millions

Denmark (Million kroner)						Finland (1,000 million markkaa)					France (1,000 million francs)					Germany <sup>a</sup> (Million RM/DM)					Item No.
1928/29	1937/38	1947/48	1948/49	1949/50		1929	1938	1947	1948	1949	1926	1938	1947	1948	1949	1928/29	1937/38	1948/49	1949/50		
11	32	65	67	68		—	—	—	—	—	1.14	1.38	4	6	—	1,104	870	—	—	1	
52	150	885	1,057	963		0.54 { 0.48 { 19.3 24.0 { 11.8 {	0.47 {	—	—	—	3.41	3.07	37	40	133	3,110	4,202	5,310	4,530	2	
34	51	104	102	101							—	—	—	—	—	451	366	563	115	3	
11	25	164	155	158							—	—	—	—	102	608	1,561	1,137	1,448	4	
—	—	—	—	—		—	—	—	—	—	5.72	10.59	129	232	133	96	24	—	—	5	
15	20	35	31	33		0.17 {	0.05	0.2	0.3	0.3	1.66	2.20	13	15	21	74	95	133	19	6	
19	19	29	28	27							6.78	7.04	38	51	80	422	420	96	129	7	
—	—	—	—	—							—	—	—	—	—	—	2	93	26	8	
131	265	1,217	1,373	1,282		0.71	1.14	20.4	26.0	21.1	17.57	22.90	217	338	469	4,761	6,670	7,332	6,267	9	
—	—	—	—	—		—	—	18.3	27.7	29.7	7.52	9.85	230	396	620	1,354	3,046	3,283	4,253	10	
37	60	386	444	486		0.25	0.37	4.5	6.7	7.4	2.94	5.18	69	115	130	956	1,077	1,653	2,191	11	
25	40	101	107	111		—	0.07	0.2	0.3	0.5	0.11	0.17	—	—	—	401	316	282	302	12	
33	52	397	397	333		—	0.46	10.5	12.8	13.5	2.86	3.40	23	39	43	353	308	233	520	13	
5	29	19	19	22		0.15	0.20	1.6	4.6	5.7	0.26	0.45	—	—	—	228	323	(131)	(303)	14	
10	19	14	15	17		0.23	0.41	0.2	0.7	0.9	0.72	1.14	—	—	—	172	356	283	378	15	
10	15	76	102	127		0.02	0.04	0.02	0.3	1.0	0.05	—	—	—	—	—	—	—	—	16	
14	66	125	179	200		0.07	0.21	1.3	1.8	1.9	0.95	4.71	28	33	62	111	511	(26)	(49)	17	
25	39	49	50	61		0.02	0.04	0.1	0.2	0.2	—	—	—	—	—	199	139	200	282	18	
21	10	106	114	98		0.09	0.12	1.4	1.8	1.8	3.20	3.15	10	25	36	131	661	231	192	19	
180	330	1,273	1,427	1,455		0.83	1.92	19.8	29.2	32.9	11.09	18.20	130	212	271	2,551	3,691	3,039	4,217	20	
59	61	65	78	90		0.82	0.82	1.2	2.9	4.8	1.34	2.50	4	4	18	604	654	171	346	21	
381	688	2,620	2,945	2,895		2.35	3.88	59.7	85.8	88.5	38.66	54.83	585	956	1,378	10,374	14,931	13,825	15,083	22	
94	113	213	241	..		—	—	—	—	—	..	..	..	..	30	1,741	1,420	..	1,065	23	
154	208	638	702	..		0.82	1.29	11.6	..	..	..	..	..	..	81	955	1,933	..	1,087	24	
10	9	15	15	..		0.04	0.05	1.0	..	..	..	..	..	..	97	231	330	..	256	25	
258	330	866	958	..		0.86	1.34	12.6	..	..	9.00	10.50	77	139	208	2,927	3,683	2,144	2,408	26	
639	1,018	3,486	3,903	..		3.21	5.22	72.3	..	..	47.66	65.33	662	1,095	1,586	13,301	18,614	15,969	17,491	27	
—	—	244	—	—		—	—	4.3	4.6	6.2	—	—	49	46	13	—	—	109	1,626	28	

Figures given for consumption taxes on individual commodities (items 11-18) include, wherever possible, customs duties as well as internal excise taxes and profits of State monopolies. Correspondingly, the figures for customs duties (item 21) do not include duties paid on these commodities. In several instances, specified in the notes on page 74-80, it was not possible to include customs duties in the figures for consumption taxes on individual commodities. Figures which, for this reason, are not comparable with corresponding data for other years are shown in brackets.

# REVENUE FROM TAXATION MAIN GROUP

*In national currencies*

Item	Item No.	Greece (1,000 million drachmas)				Iceland (Million krónur)			1928/29 1937
		1928/29	1937/38	1947/48 <sup>a</sup>	1948/49 <sup>a</sup>	1929	1937	1948	
<b>A. Central Government</b>									
I. Taxes on real estate . . . . .	1	0.38	0.48	36	37	0.3	0.5	0.9	—
II. Taxes on income, capital and enterprise :									
General income tax levied on persons . . . . .	2	0.11	0.11	2	5	1.4	1.2	44.9	4.3
General property tax levied on persons . . . . .	3	—	—	—	—		0.3	4.5	
Profit tax on corporations . . . . .	4	—	—	36	43		0.2	13.1	
Taxes on specific types of income . . . . .	5	1.14	1.39	58	76	—	—	—	—
Death duties, gift duties, etc. . . . .	6	0.11	0.16	5	10	0.1	0.1	0.6	1.0
Other taxes on transfer of property (stamps, etc.) . . . . .	7	0.81	0.92	136	200	0.4	0.6	5.3	0.5
Miscellaneous . . . . .	8	0.47	0.10	45	82	1.2	0.9	2.0	—
Total, group II . . . . .	9	2.64	2.68	282	416	3.1	3.3	70.4	6.2
III. Turnover taxes . . . . .	10	—	0.63	207	438	—	—	16.7	—
IV. Taxes on consumption : <sup>b</sup>									
Tobacco . . . . .	11	1.25	2.00	329	385	1.3	2.2	23.7	3.3
Beer . . . . .	12	0.02	0.04	8	11	1.7	3.1	52.9	2.9
Other alcoholic beverages . . . . .	13	0.36	0.36	25	45		—	—	3.5
Coffee and tea . . . . .	14	—	—	—	—		—	—	—
Sugar . . . . .	15	—	—	1	—	1.5	1.7	—	0.9
Cocoa, chocolate, sweets . . . . .	16	—	—	—	—		—	—	0.1
Petrol . . . . .	17	—	—	1	1		0.3	3.6	—
Motor vehicles . . . . .	18	—	—	7	6	0.1	0.4	3.5	1.2
Miscellaneous . . . . .	19	0.92	0.86	182	208	—	0.2	8.4	1.6
Total, group IV . . . . .	20	2.55	3.26	553	656	4.6	7.9	92.1	13.5
V. Customs duties <sup>b</sup> . . . . .	21	3.18	3.90	198	492	4.3	4.0	81.0	1.2
Total, central government taxes . . . . .	22	8.75	10.95	1,276	2,039	12.3	15.7	261.1	20.9
<b>B. Local Government</b>									
I. Taxes on real estate . . . . .	23	—	—	—	—	—	—	—	—
II. Taxes on income, capital and enterprise . . . . .	24	—	—	—	—	—	—	—	—
III. Taxes on consumption . . . . .	25	—	—	—	—	—	—	—	—
Total, local government taxes . . . . .	26	—	—	—	—	—	—	—	—
Total, central and local government taxes . . . . .	27	—	—	—	—	—	—	—	—
Capital levies and similar extraordinary taxes . . . . .	28	—	—	—	—	—	—	—	—

<sup>a</sup> For 1947/48 : twelve months April-March ; for 1948/49 ; eleven months July-May.

<sup>b</sup> See footnote <sup>b</sup>, page 68.

ON MAIN GROUPS OF TAXES (continued)

national currencies

Year	Ireland (Million Irish pounds)					Italy (1,000 million lire)					Luxembourg (Million francs)					Netherlands (Million guilders)					Item No.
	1928/29	1937/38	1947/48	1948/49	1949/50	1928/29	1937/38	1947/48	1948/49	1949/50	1929	1938	1947	1948	1949	1929	1938	1947	1948	1949	
0.9	—	—	—	—	—	0.34	0.94	8	7	8	—	—	—	—	—	26	10	24	18	18	1
44.9	4.3	5.6	13.1	16.1	17.1	0.32	0.62	10	15	21	49	66	753	1,049	1,118	117	223	1,184	1,507	1,619	2
4.5	—	—	—	—	—	0.73	0.26	5	1	1	—	—	42	48	49	41	33	50	48	66	3
13.1	0.4	0.7	4.7	3.5	2.3	—	—	—	—	—	—	—	—	—	—	26	24	122	327	332	4
—	—	—	—	—	—	3.78	3.94	61	90	103	10	11	23	24	23	37	4	63	270	360	5
0.6	1.0	1.3	2.3	2.3	3.6	0.08	0.21	4	7	13	4	4	13	16	21	50	50	74	68	76	6
5.3	0.5	1.0	1.3	1.6	1.6	2.07	2.39	54	70	91	22	27	48	58	61	63	38	40	64	52	7
2.0	—	—	—	—	—	0.06	0.19	—	—	—	1	1	8	9	10	—	2	—	—	—	8
70.4	6.2	8.6	21.4	23.5	24.6	7.04	7.61	134	183	229	86	109	887	1,204	1,282	334	374	1,533	2,284	2,505	9
16.7	—	—	—	—	—	0.70	2.24	186	246	242	50	31	310	414	449	—	77	520	754	817	10
23.7	3.3	4.7	15.0	15.6	16.1	2.39	2.91	109	166	190	—	—	—	—	—	26	37	151	177	226	11
52.9	2.9	3.0	5.1	5.6	4.8	0.05	0.04	1	2	4	12	16	30	34	52	15	8	28	19	15	12
—	3.5	2.7	5.8	6.3	6.7	0.75	0.23	8	11	11	59	18	72	85	81	42	31	72	102	102	13
—	—	—	—	—	—	0.56	0.54	(9)	(12)	(16)	—	—	—	—	—	—	—	—	—	—	14
—	0.9	0.5	0.1	0.2	0.1	1.23	1.20	21	32	40	—	—	—	—	—	58	57	62	76	94	15
—	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	16
3.6	—	1.4	1.6	2.7	3.5	0.41	1.63	44	55	72	—	—	—	—	—	—	—	—	—	—	17
3.5	1.2	1.4	3.2	3.5	3.5	0.11	0.16	4	6	7	3	6	23	27	32	10	23	30	37	41	18
8.4	1.6	0.9	2.3	2.4	2.6	1.14	1.96	54	82	116	3	2	4	4	4	23	18	5	10	7	19
92.1	13.5	14.6	33.1	36.3	37.3	6.64	8.67	250	366	456	77	42	129	150	169	174	174	348	421	485	20
81.0	1.2	2.1	2.1	2.6	3.2	1.55	1.53	37	58	64	64	81	279	316	304	72	102	73	260	328	21
261.1	20.9	25.3	56.6	62.4	65.1	16.27	20.99	615	860	999	277	263	1,605	2,084	2,204	606	737	2,498	3,737	4,153	22
—	—	—	—	—	—	1.56	1.90	—	—	—	—	—	—	—	—	29	65	107	—	—	23
—	—	—	—	—	—	1.53	1.40	—	—	—	—	—	—	—	—	225	98	152	—	—	24
—	—	—	—	—	—	1.76	2.04	—	—	—	—	—	—	—	—	9	10	23	—	—	25
—	—	—	—	—	—	4.85	5.34	110	190	—	—	—	—	—	—	263	173	282	—	—	26
—	—	—	—	—	—	21.12	26.33	725	1,050	—	—	—	—	—	—	869	910	2,780	—	—	27
—	—	—	—	—	—	—	—	63	62	37	—	—	474	193	28	—	—	99	2,049	564	28

REVENUE FROM TAXATION BY MAIN G  
In national currencies

Item	Item No.	Norway (Million kroner)				Portugal (Million escudos)					Spain (Million pesetas)					1928/29 1937/38 1947/48 1948/49
		1928/29	1937/38	1947/48	1948/49	1928/29	1938	1947	1948	1949	1929	1935	1947	1948	1949	
<b>A. Central Government</b>																
I. Taxes on real estate . . . . .	1	—	—	—	—	179	224	280	287	303	365	401	1,084	1,137	1,175	—
II. Taxes on income, capital and enterprise :																
General income tax levied on persons . . . . .	2	41	67	289	362	26	51	146	167	198	—	13	208	210	234	108
General property tax levied on persons . . . . .	3	18	14	31	29	—	—	—	—	—	—	—	—	—	—	43
Profit tax on corporations . . . . .	4	24	36	103	186	202	41	80	93	704	608	688	3,306	3,576	—	19
Taxes on specific types of income . . . . .	5	—	15	19	22	—	208	496	558	—	—	—	—	—	—	38
Death duties, gift duties, etc. . . . .	6	5	7	29	16	60	72	244	318	252	576	646	2,089	2,188	2,230	4
Other taxes on transfer of property (stamps, etc.) . . . . .	7	19	22	49	80	171	284	518	515	519	—	—	—	—	—	—
Miscellaneous . . . . .	8	—	—	—	—	40	37	149	149	137	82	76	111	127	—	—
Total, group II. . . . .	9	107	161	520	695	499	693	1,633	1,800	1,810	1,266	1,423	5,714	6,101	6,650	212
III. Turnover taxes . . . . .	10	—	36	448	430	128	15	28	27	32	—	—	—	—	—	—
IV. Taxes on consumption : a																
Tobacco . . . . .	11	25	36	176	191	119	136	302	337	345	294	319	554	436	495	62
Beer . . . . .	12	14	16	55	53	—	2	8	9	10	5	10	32	24	19	16
Other alcoholic beverages . . . . .	13	53	76	361	313	—	—	—	—	—	40	35	142	153	155	89
Coffee and tea . . . . .	14	7	10	9	11	—	—	—	—	—	—	—	—	—	—	15
Sugar . . . . .	15	22	31	25	22	—	—	—	—	—	115	123	104	118	174	19
Cocoa, chocolate, sweets . . . . .	16	7	9	29	34	—	—	—	—	—	—	—	—	—	—	—
Petrol . . . . .	17	5	21	51	57	—	—	—	—	—	149	343	1,165	1,332	1,719	18
Motor vehicles . . . . .	18	7	21	37	26	—	—	—	—	—	52	68	—	—	—	28
Miscellaneous . . . . .	19	4	9	66	66	98	189	259	304	441	255	240	2,156	2,491	2,595	—
Total, group IV . . . . .	20	144	229	809	773	217	327	569	650	796	910	1,138	4,153	4,554	5,157	247
V. Customs duties a . . . . .	21	54	68	98	82	444	521	936	799	795	676	484	813	882	718	114
Total, central government taxes . . . . .	22	305	494	1,875	1,980	1,467	1,780	3,446	3,563	3,756	3,217	3,446	11,764	12,674	13,700	573
<b>B. Local Government</b>																
I. Taxes on real estate . . . . .	23	21	25	30	31	—	—	—	—	—	—	—	—	—	—	80
II. Taxes on income, capital and enterprise . . . . .	24	260	263	750	914	—	—	—	—	—	—	—	—	—	—	326
III. Taxes on consumption . . . . .	25	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8
Total, local government taxes . . . . .	26	281	288	780	945	—	—	—	—	—	—	—	—	—	—	414
Total, central and local government taxes . . . . .	27	586	782	2,655	2,925	—	—	—	—	—	—	—	—	—	—	987
Capital levies and similar extraordinary taxes . . . . .	28	—	—	500	466	—	—	—	—	—	—	—	—	—	—	—

a See footnote b, page 68.



MAIN GROUPS OF TAXES (cont.)

currencies

	Sweden (Million kronor)					Switzerland (Million francs)					Turkey (Million Turkish pounds)					United Kingdom (Million pounds sterling)					Item No.
	1928/29	1937/38	1947/48	1948/49	1949/50	1929	1938	1947	1948	1949	1928/29	1937/38	1947	1948		1928/29	1937/38	1947/48	1948/49	1949/50	
1,175	—	—	—	—	—	—	—	—	—	—	24	16	35	36	—	—	—	—	—	—	1
234	108	182	1,896	1,945	1,272	264	283	783	1,056	883	—	—	—	—	—	244	295	1,029	1,054	1,095	2
..	43	82	—	—	107	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
..	—	—	—	—	511	—	—	—	—	—	..	..	26	..	..	50	60	564	699	767	4
2,230	19	31	70	54	67	28	44	53	56	54	14	63	356	402	..	—	—	—	—	—	5
..	38	40	58	46	44	23	21	29	35	36	1	1	2	2	..	81	89	172	177	190	6
..	4	2	31	32	36	67	40	68	65	55	10	11	43	43	..	30	24	56	56	51	7
6,650	—	—	—	—	—	17	17	36	41	40	3	10	4	6	..	3	3	1	1	1	8
—	212	337	2,055	2,077	2,037	399	405	969	1,253	1,068	28	85	431	453	..	408	471	1,822	1,987	2,104	9
495	—	—	—	—	—	—	—	452	482	453	20	29	265	255	..	—	—	247	291	292	10
19	62	97	397	443	424	22	40	87	109	108	..	..	..	..	..	59	83	568	604	601	11
153	16	31	56	67	68	1	26	12	12	13	..	..	..	..	..	76	65	274	308	277	12
174	89	165	551	628	600	45	40	63	61	50	..	..	..	..	..	54	45	103	111	121	13
—	15	22	33	28	21	1	10	9	13	10	..	..	..	..	..	6	7	10	11	—	14
1,719	19	1	4	5	3	10	29	41	40	34	..	2	58	61	..	15	12	36	35	12	15
2,595	—	—	78	118	..	1	1	5	3	2	..	..	..	..	..	..	..	..	..	..	16
5,157	18	70	185	352	352	31	56	59	66	74	..	..	..	..	..	13	50	57	57	63	17
718	28	57	91	92	98	46	39	75	81	81	..	..	..	..	..	27	37	50	53	56	18
13,700	—	25	181	229	318	17	21	27	29	29	68	57	188	217	..	16	16	64	84	85	19
..	247	468	1,576	1,962	1,886	174	262	378	414	401	68	59	246	278	..	266	315	1,162	1,263	1,215	20
..	114	137	266	188	197	149	135	214	194	164	34	53	154	129	..	12	55	61	56	68	21
..	573	942	3,897	4,227	4,120	722	802	2,013	2,343	2,086	174	242	1,131	1,151	..	686	841	3,292	3,597	3,679	22
..	80	96	148	..	..	258	281	564	619	636	..	..	..	..	..	191	202	307	307	314	23
..	326	431	1,146	..	..	..	..	..	..	..	..	..	..	..	..	—	—	—	—	—	24
..	8	11	24	..	..	6	6	9	10	10	..	..	..	..	..	—	—	—	—	—	25
..	414	538	1,318	..	..	264	287	573	629	646	..	..	..	..	..	191	202	307	307	314	26
..	987	1,480	5,215	..	..	986	1,089	2,586	2,972	2,732	..	..	..	..	..	877	1,043	3,599	3,904	3,993	27
..	—	—	—	—	—	—	—	171	43	14	—	—	—	—	..	—	—	—	79	20	28

## SOURCES AND METHODS USED IN THE ARTICLE "CHANGES IN THE STRUCTURE OF TAXATION IN EUROPE"

### A. DEFINITIONS

For the purpose of this article, tax revenue has been defined as including all compulsory and unilateral payments to the public authorities with the following exceptions :

1. Payments from capital account (with the exception of death duties, which are included throughout). Compulsory loans and capital levies are thus excluded. The confiscation of illegal war profits and similar payments have also been excluded. These extraordinary payments have, however, been shown separately, without entering into the totals, at the bottom of the Appendix Table. The question of whether such payments should or should not be included in ordinary tax revenue is, of course, in many cases subject to doubt. Details for each country are given below.

2. Contributions collected from particular groups of citizens to cover the costs of public works or other expenditure supposed to be made in their interest. By far the most important item hereby excluded is contributions by employers and employees to social insurance funds. Proceeds from duties levied on the production of one commodity in order to subsidize the price of another commodity are also excluded. However, not all receipts "earmarked" for definite purposes have been excluded from the concept of "tax" as used in this article. For instance, duties on petrol have been included throughout, regardless of whether or not the proceeds are paid into a separate fund for road-building and other specific purposes.

Net surpluses of "fiscal monopolies" for tobacco, matches, alcohol, salt, lotteries, etc., are included throughout, while surpluses of post, railways, utilities and other public services are excluded.

### B. DISTINCTION BETWEEN CENTRAL AND LOCAL GOVERNMENT TAXES

The widely differing and often rather complicated methods of equalization of local tax burdens through the State budget may in some cases give rise to doubt as to whether a certain tax is to be regarded as levied by the central Government or by local authorities. Roughly speaking, the tax receipts which are finally at the disposal of local governments may be divided into four groups :

1. Taxes wholly levied by local authorities, regardless of whether the actual collection of taxes is done by the tax administration of the State—e.g., "local rates" in the United Kingdom, communal land tax in Germany and communal income tax in Denmark and Sweden.

2. Percentage additions to State taxes, the percentage varying with the financial needs of the community in question—e.g., "centimes additionnels" in France and, until the recent reform, Belgium, and "Opcenten" in the Netherlands.

3. A fixed proportion of State taxes, or the whole proceeds of a certain tax, are reserved for local authorities. They may be distributed to the individual local authorities in proportion to the amount of State taxes levied on taxpayers in the locality in question (e.g., "quote-parts" in Belgium and Switzerland, coupons tax in Norway), or they may be distributed according to the financial needs of the communes (e.g., taxes paid to the "fund for communal equalization" in Denmark and, after the recent reform, to the "fonds des communes" in Belgium).

4. Contributions from central to local government charged to the general budget without connection with specific taxes.

For the purpose of this article, the convention has been adopted of regarding as local government taxes only those under items 1 and 2 above—i.e., taxes the level of which is directly influenced by the tax policy of local governments. This distinction seems to be in accordance with actual budget practice in most countries.

In Switzerland and Germany, *Cantons* and *Länder* respectively have been regarded as being part of the central Government; in the case of Austria, on the other hand, the *Länder* have been treated as local authorities.

### C. CLASSIFICATION OF TAXES

(The numbering of the various types of tax given below refers to the item numbers in the Appendix table.)

#### I. Taxes on Real Estate (1)

All taxes levied on land and buildings as such. These are taken to include taxes on revenue from the ownership of land and other immovable property based on cadastral values and forming part of a system of independent scheduled taxes (as, for instance, in France and Italy), but not tax on income from land and buildings assessed as part of the taxpayer's total income. The Turkish tax on cattle and the Icelandic tax on ships were also included in this group.

## II. Taxes on Income, Capital and Enterprise

### *General income tax levied on persons (2)*

Only taxes levied on actual total income of persons without discrimination according to the source of the constituent parts of income. Taxes on specific types of income, withheld at the source, are included in so far as they are based upon, or enter into, the assessment of personal income tax liability, either when actually paid (as in the case of the British income tax on wage earners), or later by way of deduction from the total income tax liability of the taxpayer, as in the case of the British income tax on distributed profits, the Swiss "Verrechnungssteuer", the Dutch "Dividendbelasting" or the German "Lohnsteuer". The 5 per cent wage tax in the new French tax system is not included in this group.

### *General property tax levied on persons (3)*

Taxes levied on the net value of the property of persons. (Special taxes on income from investment are included in item 5.)

### *Profit tax on corporations (4)*

This group includes, in principle, independent taxes on the profits of joint stock companies and other corporate bodies, taxes on net property of companies and, in the United Kingdom, income tax on additions to corporate reserves.

### *Taxes on specific types of income (5)*

In this group are included the following types of tax : (i) partial taxes on income (except taxes on income from real estate, which are included in item 1)—e.g., the scheduled taxes (impôts cédulaires) in Belgium and, before the recent reform, France, and the tax on "ricchezza mobile" in Italy ; (ii) general taxes on enterprise of the type of the German and Austrian "Gewerbesteuer" ; (iii) taxes which, although nominally levied on the total income of private individuals, are calculated solely by reference to outward indices of wealth or consumption—e.g., the "personal tax" in the Netherlands.

### *Death duties, gift duties, etc. (6)*

All death duties are included, even though they are entered in the capital account of the budgets of certain countries and thus not regarded as part of current receipts from taxation.

### *Other taxes on transfer of property (stamp duties, etc.) (7)*

Besides stamp and other duties on the transfer of property, this group also includes various duties on legal transactions. Fees representing payment for administrative services have been excluded wherever possible.

### *Miscellaneous (8)*

Includes various taxes which could not easily be fitted into the classification adopted. The most important items included in this group are specified in the country notes below.

## III. Turnover Taxes (10)

Includes single-stage and multiple taxes on production, transport and sales, when they cover a fairly wide range of commodities. Thus, the British purchase tax was included in this group because, in spite of numerous exceptions, it has a wide coverage of goods ; on the other hand, the Swedish "varuskatt" (commodity tax) was included in items 16 and 19, "miscellaneous taxes on consumption", because it is levied only on a small number of luxuries (chocolates, furs, carpets, jewellery, gramophones and gramophone records).

## IV. Taxes on Consumption (11 to 18)

The figures for individual commodities include excise duties, surplus of State monopolies and, wherever possible, customs duties, but not general turnover taxes, which are included in item 10. The figures for alcoholic beverages include liquor licences; those for motor vehicles include annual road taxes, customs duties and turnover tax unless the latter is part of a general turnover tax included in item 10.

### *Miscellaneous taxes on consumption (19)*

Includes, *inter alia*, taxes on salt, matches, entertainments and profits of lotteries.

## V. Customs duties (21)

Unless otherwise indicated in the country notes below, the figures are net of duties for those commodities shown separately in items 11 to 18.

## D. FISCAL YEARS

In Greece (as from 1948), Italy, Norway, Sweden and (for 1928/29) in Portugal, the fiscal year of the State runs from July to June ; in Denmark, Germany, Ireland, the United Kingdom and (until 1948) Greece, it runs from April to March, and in Turkey for 1928/29 and 1937/38, from June to May. In all other cases, the fiscal year of the State coincides with the calendar year. Local authorities usually have the same fiscal year as the central Government of their country.

The figures refer to actual cash receipts unless otherwise indicated in the notes below.

# E. GENERAL SOURCES

Apart from the sources for individual countries mentioned under F, the following general sources have been consulted :  
*Undersökningar rörande det samlade skattetrycket i Sverige och Utlandet*, Sveriges offentliga Utredningar, Stockholm, 1936 ;  
*La fiscalité en France et à l'étranger*, Bulletin de législation comparée, Ministère des Finances, Paris, 1947, No. 26 ; F. Neumark :  
*Theorie und Praxis der modernen Einkommensbesteuerung*, Bern, 1947 ; *Betänkande med Förslag till ändrade Bestämmelser angående*  
*Avdrag vid Taxering för utländska Skatter*, Statens offentliga Utredningar, Stockholm, 1950, pp. 81-149 ; H. Laufenburger :  
*Finances comparées*, Paris, 1947 ; *Public Finance 1928-1935*, League of Nations, Geneva, 1936.

## F. SOURCES AND NOTES ON CLASSIFICATION BY COUNTRIES

(The numbering of the notes refers to the item numbers in the Appendix table)

### Austria

Sources : *Bundesrechnungsabschluss*, 1929, 1937, 1948 ; *Statistische Nachrichten*, November 1950.

#### Notes :

2. Income tax and tax on wages.
5. Taxes on enterprises (Erwerb- und Gewerbesteuer), tax on income from property and on directors' fees.
8. Includes, in 1937, crisis tax (76 million sch.) and in 1949 tax to cover occupation costs (245 million sch.). Both taxes were levied on income and property.
- 11 to 18. Customs duties are not included.
19. The 1949 figure includes tax on insurances, which is included in item 8 for other years.
21. All customs duties.

### Belgium

Sources : *Situation du Trésor au 1<sup>er</sup> janvier 1932* ; "Aperçu des opérations en matière d'impôts au cours de l'exercice 1948 et de l'exercice 1949", *Bulletin mensuel de Statistique*, August 1949 and November 1950 ; *Statistique des Budgets communaux 1938*.

#### Notes :

2. Complementary tax on income.
- 4 and 5. Professional tax, tax on revenue from movable property (taxe mobilière) national crisis contribution.
- 2, 4 and 5. Include amounts paid in respect of earlier financial years, the accounts of which were closed when the tax was paid, and in 1949, "Rappels de droits 1948 et antérieurs" (connected with the fiscal reform) distributed proportionally between items 2, 4 and 5. (1930 : 333 million fr. ; 1938 : — ; 1947 : 2,702 million fr. ; 1948 : 3,105 million fr. ; 1949 : 5,407 and 5,435 million fr.)
- 11 to 18. The figures for 1930, 1938 and 1947 exclude customs duties.
21. In 1930, 1938 and 1947 all customs duties are included.
28. Special taxes for the repayment of the monetary loan.

### Denmark

Sources : *Statsregnskab 1928/29, 1937/38, 1947/48-1949/50* ; *Statistisk Aarbog 1939, 1950* ; *Statistiske Efterretninger* No. 56, 12 October 1950.

Notes : Figures for central Government include Communal Equalization Fund.

2. Ordinary, extraordinary (1937/38) and supplementary (1947/48 and 1948/49) income tax on persons (including income tax paid to the Equalization Fund) and a share of supplements and fines, which were distributed proportionately between items 2 and 3.
3. Personal property taxes and a share of supplements and fines.
4. Ordinary and extraordinary taxes on corporate profits.
28. Exceptional tax on property and increase of property. The amounts repaid in 1948/49 (28 million Kr.) and 1949/50 (25 million Kr.) have been deducted from the amount paid in 1947/48.

### Finland

Sources : *Economic Survey of Finland 1950* ; *Statsbokslutet 1929, 1938, 1947-1949* ; *Kommunal Finansstatistik 1930, 1938, 1947*.

#### Notes :

- 2 to 4. Exclude income and property taxes paid by the Alcohol Monopoly, which are included together with its profits in item 13.
28. Capital levy (II).



### France

Sources : *Inventaire de la situation financière au 1<sup>er</sup> novembre 1949*, Ministère des Finances, Paris, 1949, pp. 132, 141 and 176 ; *Statistiques et Etudes financières*, Ministère des Finances, 1949, pp. 119 et seq., 199 et seq., 255 et seq. and 767-769 ; *Annuaire statistique*, 1939.

#### Notes :

- A. Figures for the central Government include taxes paid to the "Caisse autonome d'amortissement".
2. *Impôt général sur le revenu* and, in 1949, *impôt sur le revenu des personnes physiques*.
5. *Impôts cédulaires* (except the *contribution foncière des propriétés bâties et non bâties*). The figure for 1949 represents the 5 per cent wage tax (versements forfaitaires des employeurs) and tax arrears from previous years of the scheduled taxes and of the *impôt général sur le revenu*.
- 1, 2, 4 and 5. In the case of taxes withheld at the source, the figures of actual receipts were used ; in the case of other taxes, the total of actual receipts was distributed among the four categories on the basis of statistics of tax assessments.
- B. Exclude certain minor local taxes, estimated to make up about 10 per cent of the total of all local tax receipts.
24. Mainly *patentes* and *taxes assimilées*.
25. Includes turnover tax.
28. Solidarity tax, tax on illegal profits and extraordinary levy for the fight against inflation.

### Germany

Sources : *Statistik des Deutschen Reichs*, Band 528, II. *Wirtschaft und Statistik*, June 1950.

#### Notes :

- A. 1928/29 and 1937/38 : *Reich* and *Länder* of pre-war Germany ; 1948/49 : *Länder* of western Germany ; 1949/50 : *Bund* and *Länder* of western Germany.
3. Includes property tax on corporations.
7. In 1937/38, including *Reichsfluchtsteuer*.
- 11 to 18. In 1928/29 and 1937/38 customs duties are included ; in 1948/49 and 1949/50 they are excluded.
21. The figures for 1948/49 and 1949/50 include all customs duties.
28. *Notopfer Berlin* and in 1949/50 also *Soforthilfeabgabe* (Immediate Assistance Levy) 1,300 million marks.

### Greece

Sources : "Parartima Ephemeris tes Kyberneseos", *Official Gazette*, No. 53, 21 June 1948, No. 60, 3 August 1949 ; *Annuaire statistique de la Grèce* 1939 ; *Public Finance 1928-1935*, League of Nations, Geneva, 1936.

#### Notes :

- The figures for 1928/29 and 1937/38 represent assessments and not actual receipts. In 1947/48 the financial year was prolonged by three months ; the figures given here refer, however, only to the receipts collected during the twelve months April 1947 to March 1948. The 1948/49 figures represent receipts collected in the months July 1948 to May 1949 (11 months).
2. Complementary tax on general income.
  5. Includes trade tax and taxes on agricultural production, industrial and commercial profits, wages and income from movable property.
  8. Includes tax on insurance, supplementary taxes on direct taxes, etc.  
The line of demarcation between 5 and 8 is rather uncertain, especially in the post-war years.
  - 11 to 18. Customs duties are not included.
  21. All customs duties.

### Iceland

Sources : *Statistisk Aarbog*, Denmark, 1933, 1940 ; *Hagtidindi*, December 1949.

#### Notes :

1. Includes tax on ships.
- 2 to 4. Tax on income and property has been distributed amongst these items in the ratio of assessments.
8. Export duties.

#### Ireland

Sources : *Finance Accounts* 1928/29, 1937/38, 1947/48-1949/50.

Notes :

2. Income tax, surtax and supertax.
4. Corporation profits tax, excess profits duty.

#### Italy

Sources : *Conto Riassuntivo del Tesoro* 1947/48-1949/50 ; *Annuario Statistico Italiano* 1930, 1941 ; *Public Finance Information Papers*, United Nations Department of Economic Affairs, Italy, June 1950 ; *Local Authorities* : 1928 ; F. A. Repaci : "Finanze dello Stato, delle amministrazioni autonomi ed enti autarchici", *Trattati elementare di statistica*, Vol. IV-V, 1934, pp. 60 et seq. ; 1938 : S. Steve, *Il sistema tributario e le sue prospettive*, Milan-Rome, 1947, p. 39. Distribution by groups of taxes according to figures for 1935/36 given in De Stefani : *Manuale di Finanza*, Bologna, 1943, p. 531 ; 1947, 1948 : *Relazione Generale sulla Situazione Economica del Paese*, January 1950. The figures for ordinary receipts have been reduced by an estimated 5 per cent to allow for non-tax income.

Notes :

The figures for 1928/29 and 1937/38 represent assessments to tax ; those for 1947/48-1949/50 actual receipts of tax.

2. Complementary tax on income and, in 1937/38, additional tax on bachelors' incomes.
5. *Imposta sulla ricchezza mobile* ; and 10 per cent tax on revenue from bonds and shares.
8. Includes in 1937/38 the extraordinary tax on the capital of incorporated enterprises.
- 11 to 18. In the post-war years customs duties are not included.
17. 1947/48-1949/50 : tax on the sale of home-produced mineral oils and frontier surtax (*sovrainposta di confine*) on mineral oils, derived products, etc.
21. In the post-war years all customs duties are included.
25. The 1937/38 figure includes various direct taxes on consumption.
28. Extraordinary progressive and proportional taxes on property, extraordinary proportional tax on the capital of corporations, extraordinary tax on war profits.

#### Luxembourg

Sources : *Projet de loi concernant le Budget des Recettes et des Dépenses de l'Etat*, 1950, 1951.  
*Public Finance 1928-1935*, League of Nations, 1936.

Notes :

2. General income tax and surtax on income.
5. Tax on administrators' fees and *taxe d'abonnement sur les titres de sociétés*.
- 11 to 18, and 21. Certain excise duties are included in item 21.
28. Extraordinary tax on property and extraordinary tax on war profits.

#### Netherlands

Sources : *Jaarcijfers* 1933, 1943-1946 ; *Statistisch Zakboek* 1949 ; *Gemeente-financien* 1931 ; *Maandschrift*, January 1949, March 1950.

Notes :

The figures for the central Government include the Municipal Fund.

The figures for the central Government have been obtained by deducting from total taxation receipts the amounts of communal and provincial taxes. As for 1948 and 1949 no figures were available for local authorities, the figures shown for the central Government were estimated by deducting from the amounts given in the *Maandschrift* (total central Government taxes plus additional centimes) four-fifths of the land tax and two-thirds of the personal tax. This method may involve a margin of error of 1 to 2 per cent in the estimate of total central Government taxes.

2. Income tax, "defence tax II" (in 1929), tax on wages (as from 1947), dividend tax (post-war).
3. Property tax and in 1929 and 1938 "defence tax I".
5. State share of personal tax, enterprise tax (in 1947 state share only) and various minor taxes.
- 11 to 18. Exclude customs duties.
21. All customs duties.
24. The 1929 figure includes communal income tax (174 million gld.) which was abolished in 1931 and replaced by an allocation of income tax to the Municipal Fund, which is included in central Government taxes.
28. The once-and-for-all tax on property and tax on increase of property.

#### Norway

Sources : *Statistisk Årbok for Norge* 1932, 1949, 1950 ; *Statsregnskap* 1928/29, 1937/38, 1947/48, 1948/49.

Notes : The figures for current taxes on income and property represent assessments to tax, those for all other taxes actual cash receipts.

2. Ordinary income tax.
3. Ordinary and extraordinary tax on property.
4. Ordinary tax on income and property of corporations.
5. Tax on interest.
18. Includes tax on tyres.
28. Exceptional tax on increase of property, war damage tax and, in 1948/49, national defence tax.

#### Portugal

Sources : *Conta Geral do Estado*, 1928/29, 1938, 1947, 1948 ; *Diário do Governo*, II Serie, 25 July 1950 ; *Suplemento, Contas Publicas de 1949*.

Notes :

2. Complementary tax on income.
4. Trade tax on corporations.
5. Other trade taxes, professional tax, tax on capital invested, etc.
7. Tax on transfer of real property, stamp duties ("selo" and "estampilhas fiscais").
8. Includes tax on insurance premiums, export duties, tax on fisheries, etc.
21. Total of customs duties, except duty on tobacco, which is included in item 11.

#### Spain

Sources : *Anuario Estadístico de España* 1949 ; *Public Finance, 1928-1936*, League of Nations, 1936 ; *Boletín de Estadística*, September 1950, *Comercio, Industria y Navegación de España*, December 1950.

Notes : For 1949 the figure for total tax receipts was estimated on the basis of information on receipts from all major taxes and on the total of tax and non-tax receipts.

2. "Contribución sobre la renta".
5. Business tax, taxes on revenue from labour and capital, tax on bonds, extraordinary profits tax.
- 6 and 7. Tax on property transactions (Derechos reales) and stamp duties (which include gross receipts of the postal service) and certain taxes included for other countries under 19 (entertainment tax, playing cards tax, etc.).
- 11 to 18. Excluding customs duties.
21. All customs duties.

#### Sweden

Sources : *Budget Redovisning* 1928/29, 1937/38, 1947/48-1949/50 ; *Statistisk Årsbok* 1940, 1950 ; *Riksräkenskapsverkets Årsbok*, 1950 ; *Skattetaxeringarna* 1949 and *Kommunernas Finanser*, 1947 (Sveriges officiella statistik).

Notes :

- 2 to 4. The total of income and property taxes actually paid has been distributed amongst the different items on the basis of statistics of tax assessments.
4. Includes property tax levied on corporations.
13. The figure for 1937/38 includes a small amount of taxes on non-alcoholic beverages.
18. Includes tax on tyres.
19. Includes "varuskatt" (a turnover tax on certain commodities) and, in 1949/50, taxes on sweets, chocolate, etc.
- B. The figures shown for financial years are averages of the calendar years 1928 and 1929, 1937 and 1938 and 1947 and 1948 respectively.
- 23 and 24. The total of "general communal tax" has been distributed between the two items on the basis of statistics of tax assessments (number of "tax crowns").

#### Switzerland

Sources : *Finances et impôts de la Confédération, des Cantons et des Villes*, 1948/49 ; *Annuaire Statistique de la Suisse*, 1930, 1945, 1948.

Notes :

- A. Federal Government and Cantons.
- 2 to 4. Federal taxes : National defence tax, war profits tax, anticipated tax. Cantonal taxes : general tax on income and property.
5. Stamp duty on coupons.
8. Includes military service exemption tax, compensatory tax, personal tax.
28. "Defence sacrifice".

*Turkey*

Sources : *Banque Centrale de la République de Turquie*, Bulletin trimestriel, July-September and October-December 1949.

Notes :

1. Includes tax on cattle.
4. 1947 : estimated amount of taxes paid by corporations as given in the *Revue de la Faculté des Sciences économiques d'Istanbul*, October 1948-July 1949, pp. 194-196.
5. Tax on profits, economic crisis tax, budget equilibrium tax, assistance tax for air forces.
21. All customs duties.

*United Kingdom*

Sources : *Finance Accounts*, 1928/29, 1937/38, 1947/48-1949/50 ; *Annual Abstract of Statistics*, 1935-1946 ; *National Income and Expenditure of the United Kingdom*, 1946-1949 (Cmd. 7933).

Notes :

2. Income tax and surtax. Estimates of the amount of income tax on undistributed corporate profits have been deducted.
4. Profits tax, excess profits tax and an estimate of the amount of income tax falling on undistributed corporate profits. This estimate was for all years, except for 1928/29, based on the figures of net additions to free corporate reserves given in Cmd. 7933, p. 23 ; for 1928/29 a crude estimate of £50 million was adopted.
18. Excludes purchase tax on motor vehicles.
26. Local rates.
28. "Special contribution".

G. SOURCES USED IN TABLE 6

The figures for total personal outlay on consumption are derived from the sources indicated in *Economic Survey of Europe in 1949*, Research and Planning Division, Economic Commission for Europe, pages 237-245, and the following : Austria : *Gesamtschau der österreichischen Wirtschaft in den Jahren 1948 und 1949*, Österreichisches Institut für Wirtschaftsforschung, 7 Sonderheft, 1950. Belgium : Reprint of an article by P. Van der Meiren. Denmark : *Supplement til Danmarks national-budget for året 1950*, Det økonomiske Sekretariat, October 1950 (roncoed). Finland : *Economic Survey of Finland*, August 1950, Economic Department of the Ministry of Finance. Germany : *Wirtschaft und Statistik*, July 1950. Netherlands : *Centraal Economisch Plan, 1950*, Centraal Planbureau, August 1950.



## EUROPEAN ECONOMIC STATISTICS<sup>1</sup>

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### SYMBOLS EMPLOYED

The following symbols have been used throughout this BULLETIN :

- .. = not available
- = nil or negligible
- \* = provisional estimate by the Secretariat of the  
Economic Commission for Europe
- = Revised figure

In referring to combinations of years, the use of an oblique stroke—*e.g.*, 1948/49—signifies a 12-month period (say from 1 July 1948 to 30 June 1949). The use of a hyphen—*e.g.*, 1947-1949—signifies the full period of calendar years covered (including the end years indicated) either as an average or total, as specified.

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of "billion" used throughout is one thousand millions. Minor discrepancies in totals and percentages are due to rounding.

<sup>1</sup> For notes on the sources and methods used in the compilation of the statistics, see pages 101-103.

**Table I**  
**INDEX NUMBERS OF INDUSTRIAL PRODUCTION**

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <i>a</i>
Austria . . . . .	56 <i>b</i>	89 <i>b</i>	119 <i>b</i>	133	139	150	150	157*	158
Belgium . . . . .	106	114	116	104	95	102	102	103*	101
Bulgaria . . . . .	145	175	227	..	148	130	161	..	..
Czechoslovakia . . . . .	87 <i>b</i>	103 <i>b</i>	119 <i>b</i> *	120*	119*	114*	124*	138*	140
Denmark . . . . .	128	139	145*	108	100	115*	113	122	110
Finland . . . . .	117	133	141	108*	100*	115*	104*	115*	97
France . . . . .	92	108	118	117	101	112	109	112*	102
Saar . . . . .	49*	67*	83*	122*	125	130*	130	120*	132
Germany : western zones . . . . .	33	50	75	146	148	162	164	178	191
Greece . . . . .	70	75	90	115	121	130	127	141	158
Ireland . . . . .	122	140	151	107	105	117	114	123	119
Italy . . . . .	94*	99*	105*	108*	105*	112*	114*	121	116
Luxembourg . . . . .	89	118	113	104	88	80	92	97	102
Netherlands . . . . .	94	113	127	111	109	122	117	121	125
Norway . . . . .	115	128	138	111	94	114	121	119	102
Poland . . . . .	104 <i>c</i>	135 <i>c</i>	166 <i>c</i>	121	127	134	..	..	..
Portugal . . . . .	112	118	108	89*	89*	100	88	92	106
Spain . . . . .	127 <i>d</i>	127 <i>d</i>	130 <i>d</i>	104	98*	109*	110	116*	113
Sweden . . . . .	141	150	157*	108*	95*	110	110	114*	99
Turkey . . . . .	151	155	172	..	..	..	..	..	..
United Kingdom . . . . .	115	128	137	107	102	112	117	116	111
Total of countries listed : including Germany <i>e</i> . . . . .	87*	100	114	114	109	120*	122*	125	122
excluding Germany . . . . .	103	116	126*	110	104	114*	116*	119*	114
U.S.S.R. . . . .	93 <i>f</i>	118 <i>f</i>	141 <i>f</i>	..	..	..	..	..	..
United States <i>g</i> . . . . .	210	216	197	91	88	90	95	101*	107

*a* Provisional.  
*b* 1937 = 100.

*c* Post-war production in post-war territory has been related to 1938 production in the pre-war territory.

*d* 1935 = 100.  
*e* Western zones only.

*f* 1940 = 100.  
*g* Adjusted for seasonal movements.

**Table II**  
**INDEX NUMBERS OF ENGINEERING PRODUCTION**

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <i>a</i>
Austria . . . . .	56 <i>b</i>	98 <i>b</i>	152 <i>b</i>	146	151	190	181	185	177
Belgium . . . . .	113	126	122	104	92	89	88	89*	86
Czechoslovakia . . . . .	97 <i>b</i>	120 <i>b</i>	131 <i>b</i>	109	102	118	..	..	..
Denmark . . . . .	140	156	165*	106	96*	112	115	120	108
Finland . . . . .	175	211	230	108	97*	116*	111*	106*	57
France . . . . .	98	120	141	128	112	116*	109	112	101
Germany : western zones . . . . .	22	39	66	161	161	188	189	220	242
Greece . . . . .	19	27	31	113	108	134	115	143*	160
Ireland . . . . .	143	215	206	95	91	109	110	118	101
Italy . . . . .	113*	104*	115*	113	108*	119*	118*	122*	112
Netherlands . . . . .	93	122	146	120	121	126	123	130	143
Norway . . . . .	130	148	149	106	83	106	108	106	84
Sweden . . . . .	154	160	164*	108*	90*	107*	110*	108*	90
United Kingdom . . . . .	132	151	164	109	104	114	118	120*	114
Total of countries listed : including Germany <i>c</i> . . . . .	81*	98*	118*	121	114*	126*	127	133	130
excluding Germany . . . . .	118*	135*	149*	114	105*	115	116*	118*	111

*a* Provisional.

*b* 1937 = 100.

*c* Western zones only.

**Table III**  
INDEX NUMBERS OF CHEMICAL PRODUCTION

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <sup>a</sup>
Austria . . . . .	77 <sup>b</sup>	145 <sup>b</sup>	167 <sup>b</sup>	121	125	123	134	136	144
Belgium . . . . .	130 <sup>c</sup>	150 <sup>c</sup>	152 <sup>c</sup>	106	97	..	..	..	..
Czechoslovakia . . . . .	102 <sup>b</sup>	124 <sup>b</sup>	134 <sup>b</sup>	110	101	116	..	..	..
Denmark . . . . .	100	114 <sup>d</sup>	126 <sup>d</sup>	110	102	118	123	130	108
Finland . . . . .	154	178	188	113*	108*	123*	130*	165*	123
France . . . . .	97	114	114	105	89	101	102*	107*	98
Germany : western zones . . . . .	34	49	69	140	141	148	157*	177	198
Greece . . . . .	59	63	81	126	136	138	121	110	153
Ireland . . . . .	103	109	122	111	104	122	132	124	127
Italy . . . . .	80*	93	105*	114*	120*	114*	113*	129*	130
Netherlands . . . . .	83	105	110	103	98	112	..	..	..
Norway . . . . .	111	119	158	132	126	150	163	182	158
Poland . . . . .	147 <sup>e</sup>	215 <sup>e</sup>	..	..	..	..	..	..	..
Sweden . . . . .	163	183	229	..	..	..	..	..	..
United Kingdom . . . . .	161	184	189	105	96	107	111	115	117
Total of countries listed : including Germany <sup>f</sup> . . . . .	91	111	125*	113	107	116*	120*	129*	131
excluding Germany . . . . .	119	141	153*	108*	100*	110*	112*	118*	116

<sup>a</sup> Provisional.

<sup>b</sup> 1937 = 100.

<sup>c</sup> 1936-1938 = 100.

<sup>d</sup> The indices for 1948 and 1949 have been linked to an estimated index relating 1947 to 1938.

<sup>e</sup> Post-war production in the post-war territory has been related to 1938 production in the pre-war territory.

<sup>f</sup> Western zones only.

**Table IV**  
INDEX NUMBERS OF TEXTILE PRODUCTION

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <sup>a</sup>
Austria . . . . .	31 <sup>b</sup>	51 <sup>b</sup>	77 <sup>b</sup>	147	148	179	194	180*	170
Belgium . . . . .	130	116	120	103	98	110	117	108*	120
Czechoslovakia <sup>c</sup> . . . . .	60 <sup>b</sup>	77 <sup>b</sup>	81 <sup>b</sup>	110	90	118	..	..	..
Denmark <sup>c</sup> . . . . .	108	134	151*	105	91	119	123	131	110
Finland . . . . .	97	110	125	120*	112*	126*	130*	133*	117
France . . . . .	89	102	101	107	86	103*	107	111	91
Germany : western zones . . . . .	25	41	75	175	184	217	224	220*	228
Greece . . . . .	90	89	100	108	115	125	125	142	168
Ireland . . . . .	139	152	167	103	98	128	123	131	120
Italy . . . . .	100*	96*	99	111*	94*	103*	107*	103*	95
Netherlands . . . . .	87	105	122	115	110	127	130	129	122
Norway . . . . .	124	144	154	112	87	112	123	119	93
Spain . . . . .	152 <sup>d</sup>	153 <sup>d</sup>	145 <sup>d</sup>	105	86	102	99	110	..
Sweden <sup>c</sup> . . . . .	125	137	141*	108*	92*	104*	106*	102*	90
United Kingdom . . . . .	81	95	102	105	102	114	120	117	112
Total of countries listed : including Germany <sup>e</sup> . . . . .	76*	87*	98*	113*	104*	120*	125*	123*	116
excluding Germany . . . . .	89*	98*	103*	107*	97*	110*	115*	114*	105

<sup>a</sup> Provisional.

<sup>b</sup> 1937 = 100.

<sup>d</sup> 1940 = 100 ; not included in the calculation of the totals.

<sup>c</sup> Including ready-made clothing.

<sup>e</sup> Western zones only.

**Table V**  
**INDEX NUMBERS OF BUILDING MATERIALS PRODUCTION<sup>a</sup>**

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <sup>b</sup>
Austria . . . . .	49 <sup>c</sup>	108 <sup>c</sup>	143 <sup>c</sup>	139	166	145	98	160	177
Belgium . . . . .	91 <sup>d</sup>	95 <sup>d</sup>	70 <sup>d</sup>	68	75 <sup>a</sup>	85	80	87 <sup>a</sup>	89
Czechoslovakia . . . . .	92 <sup>c</sup>	110 <sup>c</sup>	112 <sup>c</sup>	107	111	109	93	125 <sup>a</sup>	119
Denmark . . . . .	112	127	135 <sup>a</sup>	115	114	112	98 <sup>a</sup>	123 <sup>a</sup>	130
Finland . . . . .	104	128	142	109 <sup>a</sup>	136 <sup>a</sup>	105 <sup>a</sup>	101	108	102
France . . . . .	105	125	127	106	92	101	133	178	200
Germany : western zones . . . . .	31	53	78	110	116	127	107	131	154
Greece . . . . .	59	87	99	127	112	129	118	126	141
Ireland . . . . .	146	207	251	116 <sup>a</sup>	107 <sup>a</sup>	113 <sup>a</sup>	118 <sup>a</sup>	141 <sup>a</sup>	130
Italy . . . . .	84 <sup>a</sup>	90 <sup>a</sup>	96 <sup>a</sup>	109 <sup>a</sup>	116	129	125	128 <sup>a</sup>	132
Netherlands . . . . .	72	95	111	104	101	107	108	109	108
United Kingdom . . . . .	128	150	156						
Total of countries listed : including Germany <sup>e</sup> . . . . .	83	102 <sup>a</sup>	112 <sup>a</sup>	111 <sup>a</sup>	112 <sup>a</sup>	115 <sup>a</sup>	109	123 <sup>a</sup>	127
excluding Germany . . . . .	106 <sup>a</sup>	124 <sup>a</sup>	127 <sup>a</sup>	104	102 <sup>a</sup>	107 <sup>a</sup>	104	113 <sup>a</sup>	113

<sup>a</sup> Comprising production of bricks, tiles, cement, glass, ceramics and other non-metallic mineral products.

<sup>b</sup> Provisional.  
<sup>c</sup> 1937 = 100.

<sup>d</sup> 1936-1938 = 100.  
<sup>e</sup> Western zones only.

**Table VI**  
**INDEX NUMBERS OF EMPLOYMENT IN INDUSTRY**

Country	1938 = 100			1948 = 100					
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter <sup>a</sup>
Austria . . . . .	121 <sup>b</sup>	139 <sup>b</sup>	154 <sup>b</sup>	109	112	115	115	116	117
Belgium . . . . .	117 <sup>b</sup>	120 <sup>b</sup>	112 <sup>b</sup>	96	92	90	88	88 <sup>a</sup>	89
Czechoslovakia . . . . .	98 <sup>b</sup>	104 <sup>b</sup>	108 <sup>b</sup>	103	104	107	93	125 <sup>a</sup>	119
Denmark <sup>c</sup> . . . . .	131	138	144	107	98	112	103	105 <sup>a</sup>	106
Finland . . . . .	125 <sup>a</sup>	130	130	101	101	101	102	102	102
France . . . . .	106	109	111	102	102	102	109	111	116
Germany : western zones . . . . .	89 <sup>a</sup>	100 <sup>a</sup>	108 <sup>a</sup>	108	108	110	105	106 <sup>a</sup>	106
Ireland . . . . .	118	122	125	99	100	97	96	97	97
Italy . . . . .	105	105	104	105	106	107	107	108	109
Netherlands . . . . .	129	145	152	104	104	106	107	107	108
Norway . . . . .	132	143	148	112	118	125	100	100	99
Poland . . . . .	120 <sup>d</sup>	136 <sup>d</sup>	158 <sup>d</sup>	95	93	92	91	90	91
Sweden . . . . .	130	131	132	101	101	102	103	103	103
Switzerland . . . . .	148	151	141						
United Kingdom . . . . .	108	113	115						
Total of countries listed : including Germany <sup>e</sup> . . . . .	103 <sup>a</sup>	110	114	103	103	105	105	105	106
excluding Germany . . . . .	108	113	116	102	102	104	104	104	104

<sup>a</sup> Provisional.

<sup>b</sup> 1937 = 100.

<sup>c</sup> Quarterly indices refer to man-hours worked.

<sup>d</sup> Post-war employment in the post-war territory has been related to 1938 employment in the pre-war territory.

<sup>e</sup> Western zones only.



**Table VII**  
**PRODUCTION OF COAL <sup>a</sup>**

Monthly averages or calendar months

Millions of tons

Country	1938	1948	1949	1949			1950			July	August	Sept.
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter			
Belgium . . . . .	2.47	2.22	2.32	2.39	1.99	2.44	2.43	2.31*	2.00	1.62	2.03	2.35
Czechoslovakia . . . . .	1.32	1.48	1.42	1.37	1.32	1.47	1.51*	1.43*	..	..	..	..
France . . . . .	3.88	3.61	4.27	4.21	4.04	4.35	4.54	4.11*	3.93	3.81	3.88	4.10
Saar . . . . .	1.20	1.05	1.19	1.14	1.20	1.25	1.28	1.23	1.22	1.19	1.20	1.28
Germany : U.K./U.S. Zone . . . . .	11.54	7.38	8.73	8.25	8.99	9.24	9.41	8.79	9.40	9.29	9.57	9.35
Soviet Zone . . . . .	0.50	0.24	0.26	..	..	..	..	..	..	..	..	..
Netherlands . . . . .	1.12	0.92	0.97	0.94	0.99	1.01	1.03	1.00	1.04	1.03	1.02	1.06
Poland . . . . .	5.88 <sup>b</sup>	5.86	6.17	5.95	6.23	6.49	6.56	6.20*	6.66	6.41	6.79	6.80
United Kingdom . . . . .	19.32	17.73	18.23	18.07	17.25	19.12	18.94*	18.29*	17.14	16.73	16.47	18.23
Other European countries . . . . .	1.08	1.62	1.70	1.72	1.67	1.73	1.75	1.73	1.68	1.59	1.78	1.68
Total Europe (excluding U.S.S.R.) . . . . .	48.31	42.11	45.26	44.30	43.94	47.36	47.72*	45.35*	44.78	43.32	44.41	46.62
Index numbers : 1938 = 100 . . . . .	100	87	94	92	91	98	99	94	93	90	92	97
1948 = 100 . . . . .	115	100	107	105	104	112	113	108	106	103	105	111
United States <sup>c</sup> . . . . .	29.84	49.64	36.11	43.01	28.49	31.25	32.27	45.00*	42.80	34.25	48.23	45.92

<sup>a</sup> Excluding lignite.

<sup>b</sup> Post-war boundaries.

<sup>c</sup> Including a small amount of lignite.

**Table VIII**  
**PRODUCTION OF ELECTRIC POWER**

Monthly averages or calendar months

Millions of kilowatt-hours

Country	1938	1948	1949	1949			1950			July	August	Sept.
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter			
Austria . . . . .	250	400	394	425	445	390	387*	462*	519*	..	..	..
Belgium . . . . .	440	659	680	657	626	728	719	648	648	572	649	724
Czechoslovakia . . . . .	338	626	689	645	..	..	..	..	..	..	..	..
Denmark . . . . .	95	148	154	133	144	182	170	148	155	130	161	175
Finland . . . . .	259	232	290	286	271	320	343	327	335	382	323	301
France <sup>a</sup> . . . . .	1,548	2,297	2,367	2,341	2,240	2,584	2,568	2,541	2,416	2,429	2,272	2,548
Germany : western zones	2,790	2,804	3,317	3,084	3,284	3,663	3,517	3,283*	..	3,447	3,678	..
Italy <sup>b</sup> . . . . .	1,095	1,641	1,467	1,513	1,534	1,465	1,557	1,819	1,903	2,002	1,831	1,875
Netherlands . . . . .	295	422	499	449	450	597	592	522	553	544	529	585
Norway . . . . .	827	1,037	1,265	1,199	1,115	1,424	1,515	1,358	1,296	1,185	1,296	1,407
Poland . . . . .	643 <sup>c</sup>	626	679	610	649	776	783	677	785	..	..	..
Spain <sup>d</sup> . . . . .	229	509	420	407	389	475	548	533	..	536	487	..
Sweden . . . . .	680	1,189	1,342	1,280	1,249	1,475	1,553	1,433	1,425	1,266	1,503	1,506
Switzerland <sup>d</sup> . . . . .	446	720	647	729	708	621	597	766	933	917	942	941
United Kingdom <sup>e</sup> . . . . .	2,031	3,877	4,093	3,673	3,461	4,685	4,956	4,108	3,906	3,725	3,742	4,250
Other European countries	1,974	2,023	2,144	1,975	2,064	2,401	2,416	2,188*	2,441	2,347	2,411	2,567
Total Europe (excluding U.S.S.R.) . . . . .	13,940	19,210	20,447	19,406	19,279	22,544	22,999*	21,552*	22,242*	21,459*	21,888*	23,380*
Index numbers : 1938 = 100 . . . . .	100	138	147	139	138	162	165	155	160	154	157	168
1948 = 100 . . . . .	73	100	106	101	100	117	120	112	116	112	114	122
United States . . . . .	11,950	28,028	28,711	27,882	28,599	29,248	30,777	31,095	32,717	31,626	33,874	32,650

<sup>a</sup> Production of hydro-electric plants with a generating capacity of over 1,000 kilowatts and of thermo-electric plants with a capacity of over 5,000 kilowatts.

<sup>b</sup> About 90 per cent of total production.

<sup>c</sup> Post-war boundaries.

<sup>d</sup> Public utility production only.

<sup>e</sup> Authorized undertakings only. Excluding Northern Ireland.

**Table IX**

**PRODUCTION OF CRUDE STEEL**

*Monthly averages or calendar months*

*Thousands of tons*

Country	1938	1948	1949	1949			1950			July	August	Sept.
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter			
Belgium . . . . .	190	326	321	339	275	286	296	293	283	214	266	369
Luxembourg . . . . .	120	204	189	204	169	149	179	187	215	205	215	224
France . . . . .	518	604	760	776	731	775	665	721	681	672	629	741
Saar . . . . .	213	102	146*	147	147	148	147	130	166	136	176	186
Germany . . . . .	1,633 <sup>a</sup>	491	821	..	..	..	..	..	..	..	..	..
of which western zones . . . . .	1,492	463	763	769	807	760	949*	950	1,072	..	1,049	1,088
Soviet Zone . . . . .	141	28	58	..	..	..	..	..	..	..	..	1,079
Italy . . . . .	194	177	171	184	172	179	186*	186	199	206	190	201
Poland . . . . .	158 <sup>a</sup>	163	192	186	191	200	206	205	208	..	..	..
Sweden . . . . .	81	105	113	110	104	124	131	115	106	73	118	128
United Kingdom . . . . .	880	1,260	1,318	1,351	1,233	1,344	1,412	1,403	1,288	1,216	1,228	1,419
Other European countries . . . . .	373	518	572	567	581	595	602	624	628	615	629	641
<b>Total Europe (excluding U.S.S.R.) . . . . .</b>	<b>4,360</b>	<b>3,950</b>	<b>4,603*</b>	<b>4,688</b>	<b>4,474</b>	<b>4,629</b>	<b>4,853*</b>	<b>4,899</b>	<b>4,933</b>	<b>4,668</b>	<b>4,829</b>	<b>5,301</b>
<i>Index numbers :</i>												
1938 = 100 . . . . .	100	91	106	108	103	106	111	112	113	107	111	122
1948 = 100 . . . . .	110	100	117	119	113	117	123	124	125	118	122	134
<b>United States . . . . .</b>	<b>2,400</b>	<b>6,701</b>	<b>5,895</b>	<b>6,623</b>	<b>5,778</b>	<b>3,895</b>	<b>6,716</b>	<b>7,528</b>	<b>7,409</b>	<b>7,322</b>	<b>7,466</b>	<b>7,437</b>

<sup>a</sup> Post-war boundaries.

**Table X**

**PRODUCTION OF CEMENT**

*Monthly averages*

*Thousands of tons*

Country	1938	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
Belgium . . . . .	250	278	244	251	263	269	243*	323*	339
Czechoslovakia . . . . .	106 <sup>a</sup>	138	145	168	159	146	..	..	..
France <sup>b</sup> . . . . .	296	448	537	569	540	573	507	619*	642
Germany . . . . .	1,162 <sup>c</sup>	..	..	..	..	..	..	..	..
of which western zones . . . . .	955	464	705	721	835	751	583	942	1,122
Soviet Zone . . . . .	207	..	..	..	..	..	..	..	..
Italy . . . . .	384	262	336	371	379	363	329	436	469
Poland <sup>d</sup> . . . . .	254 <sup>c</sup>	152	195	210	223	193	156	237	232
Sweden . . . . .	83	124	141	150	174	148	118	174	187
United Kingdom <sup>d</sup> . . . . .	653	722	780	805	804	776	787	840*	865
Other European countries . . . . .	540	785	902	958	966	956	865	1,042	1,094
<b>Total Europe (excluding U.S.S.R.) . . . . .</b>	<b>3,728</b>	<b>3,446</b>	<b>4,113</b>	<b>4,334</b>	<b>4,482</b>	<b>4,321</b>	<b>3,830*</b>	<b>4,963*</b>	<b>5,315</b>
<i>Index numbers :</i>									
1938 = 100 . . . . .	100	92	110	116	120	116	103*	133	143
1948 = 100 . . . . .	108	100	119	126	130	125	111	144	154
<b>United States<sup>d</sup> . . . . .</b>	<b>1,497</b>	<b>2,885</b>	<b>2,951</b>	<b>3,069</b>	<b>3,208</b>	<b>3,038</b>	<b>2,376</b>	<b>3,262</b>	<b>3,561</b>

<sup>a</sup> 1937.

<sup>b</sup> Artificial cements only.

<sup>c</sup> Post-war boundaries.

<sup>d</sup> Portland cement only.

**Table XI**

**PRODUCTION OF MOTOR VEHICLES**

*Monthly averages*

*Thousands*

Country	1938	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
PASSENGER CARS									
Czechoslovakia . . . . .	1.05 <sup>a</sup>	1.49	..	..	..	..	..	..	..
France . . . . .	15.20 <sup>b</sup>	8.34	15.64	16.08	14.06	19.66	17.52	23.41*	19.85
Germany : U.K./U.S. Zone . .	14.51 <sup>c</sup>	2.50	8.67	7.29	9.78	12.23	14.23	16.64*	19.12
Italy . . . . .	4.92	4.39	6.46	4.99	6.71	8.77	8.54	9.33	..
United Kingdom . . . . .	28.42	27.90	34.36	33.51	33.15	38.71	43.79	43.71	41.25
Total of countries listed . . .									
Index numbers :									
1938 = 100 . . . . .	100	70	104	99	102	127	134	149	142
1948 = 100 . . . . .	144	100	150	143	146	182	193	214*	205
United States <sup>d</sup> . . . . .									
	166.75	325.77	425.72	441.66	525.04	385.26	447.60	583.80	631.56
COMMERCIAL VEHICLES									
Austria . . . . .	0.10 <sup>a</sup>	0.08	0.18	0.15	0.19	0.25	0.25	0.20	0.21
Czechoslovakia . . . . .	0.33 <sup>a</sup>	0.62	..	..	..	..	..	..	..
France . . . . .	3.28 <sup>b</sup>	7.80	7.87	9.03	6.81	6.94	6.36	8.36*	7.60
Germany : western zones . . .	3.56 <sup>c</sup>	2.47	4.74	4.48	4.87	5.26	4.65	6.29*	8.15
Italy . . . . .	0.85	0.56	0.73	0.66	0.75	0.94	1.05	1.12	..
United Kingdom . . . . .	8.67	14.44	18.03	17.44	16.99	20.45	22.11	22.57	20.29
Total of countries listed . . .									
Index numbers :									
1938 = 100 . . . . .	100	155	192	193	179	206	210	235	226
1948 = 100 . . . . .	65	100	124	125	116	133	136	152	146
United States <sup>d</sup> . . . . .									
	40.68	114.68	94.10	97.75	95.92	75.05	94.89	120.48	117.63

<sup>a</sup> 1937.

<sup>b</sup> October 1937-September 1938.

<sup>c</sup> 1936.

<sup>d</sup> Factory sales.

**Table XII**  
**PRODUCTION OF LIVESTOCK PRODUCTS**

Commodity and producer country	Monthly average	Index numbers — 1947 = 100							
	1947	1948	1949	1949			1950		
				Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
<i>Meat <sup>a</sup></i>	(thousands of tons)								
Austria <sup>b</sup> . . . . .	6.2	103	85	92	69	92	..	..	..
Belgium . . . . .	14.2	130	169	164	166	193	156	199	198
Czechoslovakia . . . . .	36.0	61	66	46	48	89	126	..	..
Denmark . . . . .	33.6	71	98	83	97	125	124	123	128
Germany : western zones <sup>c</sup> . . . . .	40.9	54	138	99	143	210	207	230	..
Ireland . . . . .	11.4	88	91	77	91	118	97	85	..
Italy <sup>d</sup> . . . . .	8.4	138	157	130	129	212	177	142	..
Norway . . . . .	6.8	70	103	85	85	175	161*	148*	105
Portugal <sup>e</sup> . . . . .	4.1	144	161	173	156	154	154	154	144
Sweden <sup>f</sup> . . . . .	18.8	89	105	105	101	121	108*	118*	..
Switzerland <sup>g</sup> . . . . .	4.3	95	119*	120	111	139	134*	133	124
United Kingdom . . . . .	66.4	102	120	96	140	164	104	120	..
<i>Milk <sup>h</sup></i>	(thousands of hectolitres)								
Austria <sup>i</sup> . . . . .	389	114	155	156	166	164	174	196	..
Czechoslovakia . . . . .	1,954	93	108	109	119	109	103	117	..
Denmark . . . . .	3,319	99	119	137	135	112	110	153	149
Germany : western zones . . . . .	7,045	100	130	145	154	126	129	179	181
Netherlands <sup>j</sup> . . . . .	2,334	127	153	202	186	121	125	216	199
Norway <sup>j</sup> . . . . .	523	113	135	168	142	117	139	188	159
Sweden <sup>j</sup> . . . . .	2,765*	98	108	120	120	98	104	131	126
Switzerland <sup>j</sup> . . . . .	1,061	116	123	144	144	104	102	146	155
United Kingdom <sup>k</sup> . . . . .	5,492	112	120	145	109	113	127	153	122
<i>Butter <sup>l</sup></i>	(thousands of tons)								
Austria <sup>i</sup> . . . . .	1.0	118	159	161	172	167	148	130	..
Czechoslovakia . . . . .	1.6	119	156	150	175	156	..	..	..
Denmark . . . . .	10.4	97	125	145	141	120	115	169	163
Germany : western zones . . . . .	14.5	100	136	161	168	122	119*	168	175
Ireland <sup>m</sup> . . . . .	2.2	110	133	167	228	111	34	193	248
Netherlands <sup>n</sup> . . . . .	4.4	135	160	211	204	135	122	246	211
Norway . . . . .	0.7	112	135	224*	139*	72	109	222	176
Portugal . . . . .	0.1	125*	125	150	125	138	213*	250	213
Sweden . . . . .	7.9	94*	103*	118	117*	93*	96	132	134
Switzerland . . . . .	1.2	90*	98	123	125	75	81	145*	..
United Kingdom . . . . .	0.6	125	156	340	96	72	209*	505*	196
<i>Cheese <sup>l</sup></i>	(thousands of tons)								
Austria <sup>i</sup> . . . . .	0.3	116	216	246	249	197	300	396	..
Czechoslovakia . . . . .	1.0	110	118	113	158	94	..	..	..
Denmark . . . . .	3.8	124	134*	182	153	105*	108	142	147
Germany : western zones . . . . .	6.6	117	189	217	241	192	138	173	195
Ireland . . . . .	0.3	81	104	141	167	96	15	130	..
Netherlands <sup>n</sup> . . . . .	5.4	150*	199*	264	272	150*	102	235*	238
Norway . . . . .	1.0	117*	179	268	196*	125	199*	312*	228
Portugal . . . . .	0.1	110	130	140	120	150	100*	90*	110
Sweden . . . . .	4.0	108	137*	169	165	112	108	136*	109
Switzerland . . . . .	3.0	127	136	182	190	89	76	178	..
United Kingdom <sup>n</sup> . . . . .	1.4	156	200	327	183	101	301	488	378

<sup>a</sup> Comprising production of beef, veal, mutton, lamb, pork and goat meat, unless otherwise stated.

<sup>b</sup> Including horse meat. Obligatory deliveries.

<sup>c</sup> Including horse meat and slaughter fat.

<sup>d</sup> Data for communes of more than 50,000 inhabitants.

<sup>e</sup> Inspected slaughter.

<sup>f</sup> Excluding home slaughter.

<sup>g</sup> Data for 43 towns.

<sup>h</sup> Total production of fluid milk.

<sup>i</sup> Market deliveries.

<sup>j</sup> Milk delivered by farmers.

<sup>k</sup> Milk sold through milk marketing schemes.

<sup>l</sup> Creamery and factory production.

<sup>m</sup> Production of co-operative creameries only.

<sup>n</sup> Including farm production.

**Table XIII**  
INDEX NUMBERS OF WHOLESALE PRICES

Country	1938 = 100		1948 = 100											
	1947	1948	1949			1950								
			Jan.	Sept. <sup>a</sup>	Nov.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
Austria . . . . .	296 <sup>ab</sup>	313 <sup>a</sup>	116	138	141	159	162	166	164	164	161	177	172	175
Belgium . . . . .	357	391	100	93	93	94	94	93	93	94	94	97	102	107
Czechoslovakia . . . . .	315	331	103	105	..	..	..	..	..	..	..	..	..	..
Denmark . . . . .	207	227	103	101	104	109	110	111	111	112	111	112	115	118
Finland . . . . .	724	956	100	103	104	105	105	107	108	111	114	117	118	122
France . . . . .	989	1,712	114	114	117	121	120	123	122	122	119	124	129	131
Germany : U.K./U.S. Zone . . . . .	..	158	121	122	125	124	125	124	124	125	125	129	131	138
Greece . . . . .	18,320	25,620	114	118	119	121	124	120	118	115	115	119	123	123
Ireland . . . . .	219 <sup>c</sup>	232 <sup>c</sup>	100	98	101	102	103	103	104	103	104	105	105	105
Italy . . . . .	5,159	5,443	105	90	89	87	87	87	86	86	86	86	90	93
Netherlands . . . . .	265	275	103	103	109	111	114	114	113	113	115 <sup>a</sup>	115	117	120
Norway . . . . .	175	181	101	102	102	103	104	104	112	112	113	115	119	123
Portugal <sup>d</sup> . . . . .	241	240	105	103	103	103	103	102	105	102	101	101	99	99
Spain . . . . .	421 <sup>e</sup>	451 <sup>e</sup>	104	108	112	112	114	114	119	117	119	122	128	133
Sweden . . . . .	179	193	101	101	102	102	103	103	103	103	104	105	105	107
Switzerland . . . . .	209	217	99	94	92	91	90	90	90	91	91	92	95	96
Turkey . . . . .	433	466	109	106	105	103	103	101	99	95	92	90	90	93
United Kingdom . . . . .	189	216	101	105	110	111	112	112	114	116	117	118	120	124
United States . . . . .	193	210	97	93	92	92	93	93	93	95	95	99	101	102

<sup>a</sup> March 1938 = 100.

<sup>b</sup> Fourth quarter 1947.

<sup>c</sup> October 1938 = 100.

<sup>d</sup> Wholesale prices in Lisbon.

<sup>e</sup> 1936 = 100.

**Table XIV**  
INDEX NUMBERS OF THE COST OF LIVING

Country	1938 = 100		1948 = 100											
	1947	1948	1949			1950								
			Jan.	Sept. <sup>a</sup>	Nov.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
Austria . . . . .	211 <sup>a</sup>	321	115	130	137	141	137	135	132	131	135	135	140	143
Belgium . . . . .	293	352	100	97	97	96	96	95	94	94	94	93	96	100
Denmark . . . . .	163	166	102	101	101	103	..	..	105	..	..	106	..	109
Finland . . . . .	590	795	101	103	105	106	107	108	109	111	119	119	118	119
France . . . . .	..	1,400 <sup>a*</sup>	115	115	118	121	124	123	124	125	124	123	124	126
Germany : U.K./U.S. Zone <sup>a</sup>	..	161	104	97	97	96	96	95	95	97	94	93	92	92
Greece . . . . .	17,500	24,700	113	115	114	120	123	122	117	118	119	123	129	132
Hungary . . . . .	462 <sup>b</sup>	483 <sup>b</sup>	93	..	84	83	..	83	..	..	..	..	..	..
Iceland . . . . .	408 <sup>c</sup>	415 <sup>c</sup>	102 <sup>a</sup>	103	106 <sup>a</sup>	108 <sup>a</sup>	109 <sup>a</sup>	110	112	116	121 <sup>a</sup>	127	128	129
Ireland . . . . .	177	183	100	101	101	..	101	..	..	103	..	..	101	..
Italy . . . . .	4,575	4,844	103	101	99	98	98	97	98	98	100	100	101	103
Luxembourg . . . . .	276	293	102	111	109	110 <sup>a</sup>	109 <sup>a</sup>	109 <sup>a</sup>	108	108	108	108	110	111
Netherlands . . . . .	199 <sup>d</sup>	205 <sup>d</sup>	105	105	108	112	114	116	116	116	118	117	117	119
Norway . . . . .	160	159	99	101	100	101	101	101	104	105	105	105	105	108
Poland . . . . .	12,500	13,200	104	102	104	112	113	..	..	..	..	..	..	..
Portugal . . . . .	211 <sup>e</sup>	205 <sup>e</sup>	104	106	106	108	106	105	110	104	101	101	103	102
Spain . . . . .	424 <sup>f</sup>	453 <sup>f</sup>	103	106	109	113	114	115	115	115	115	115	116	118
Sweden . . . . .	147	154	102	102	102	..	..	102	..	..	102	..	..	103
Switzerland . . . . .	158	163	100	99	99	98	97	97	97	97	97	97	98	98
Turkey . . . . .	326	330	104	108	108	109	110	109	108	108	103	99	98	97
United Kingdom . . . . .	170	181 <sup>a</sup>	101	104	104	105	105	105	106	105	105	105	105	105

<sup>a</sup> The annual index for 1948 refers to June-December, and the monthly indices are based on that period.

<sup>b</sup> August 1939 = 100.

<sup>c</sup> First quarter 1939 = 100.

<sup>d</sup> July 1938/June 1939 = 100.

<sup>e</sup> June 1938/June 1939 = 100.

<sup>f</sup> July 1936 = 100.



Table XV

INDEX NUMBERS OF THE VALUE OF RETAIL SALES

Corresponding quarter previous year = 100

Country and item		1949			1950		
		Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
Austria <sup>a</sup>	Total . . . . .	224	182	162	143	116	126
	Food . . . . .	159	156	116	134	119	122
	Clothing (including textiles)	360	227	195	154	116	131
Denmark	Total . . . . .	104	107	105	110	109	120
	Food . . . . .	103	103	103	108	106	112
	Clothing . . . . .	111	120	112	115	113	135
Finland	Total . . . . .	110	113	121	139	138	..
Germany : western zones	Total . . . . .	..	..	..	105	108	118
	Food . . . . .	..	..	..	102	97	108
	Textiles . . . . .	..	..	..	125	123	133
Netherlands <sup>b</sup>	Total . . . . .	104	103	103	105	109*	120
	Food . . . . .	107	103	101	106	106	113
	Clothing . . . . .	114	111	118	110	110	142
Norway	Total . . . . .	104	111	114	114	..	..
	Food <sup>c</sup> . . . . .	105	114	118	116	..	..
	Clothing (including textiles) <sup>c</sup>	101	119	132	121	..	..
Sweden	Food . . . . .	103	104	103	104	104	104
	Clothing (including textiles)	100	93	95	104	97	107
Switzerland	Total . . . . .	100	111	96	100	99	95
	Food . . . . .	101	97	98	101	103	111
	Clothing (including textiles)	98	93	93	101	95	110
United Kingdom <sup>d</sup>	Total . . . . .	111	107	112	110	108	113
	Food . . . . .	108	107	111	112	111	112
	Clothing . . . . .	123	103	117	108	102	118

NOTE. — The index numbers generally refer to a sample of all retail trade unless otherwise indicated. For details and sources, see "Notes to the Statistics".

<sup>a</sup> Sales of specialized stores, department stores and co-operatives.

<sup>b</sup> Total consumer expenditure, excluding gas, water, electricity and services.

<sup>c</sup> Towns only.

<sup>d</sup> Sales of department stores, concerns operating multiple retail shops, a representative sample of retail co-operative societies and a small number of individual traders.

Table XVI — BALANCE OF PAYMENTS OF EUROPE AND OTHER AREAS WITH THE UNITED STATES

Millions of current dollars

Item	Year and quarter	Europe			European dependent overseas territories <sup>a</sup>	Overseas sterling area <sup>b</sup>	Canada	Latin American republics	Other overseas countries <sup>c</sup>	Inter-national institutions	TOTAL WORLD
		United Kingdom	Other European countries	Total Europe							
A. Goods and services (total)	1949 - III	- 72	- 594	666	- 27	- 129	- 75	- 144	- 306	+ 8	- 1,339
	1950 - II	+ 57	- 483	426	+ 8	+ 57	- 136	- 144	- 145	- 25	- 811
	1950 - III	+ 29	- 279	250	+ 6	+ 116	+ 30	+ 68	- 55	+ 14	- 71
Exports to the United States	1949 - III	68	175	243	77	166	351	579	165	12	1,593
	1950 - II	72	230	302	65	475	475	636	224	- 12	1,394
	1950 - III	101	286	387	72	316	459	919	311		2,516
Imports from the United States	1949 - III	163	774	936	91	256	453	622	412	- 1	2,770
	1950 - II	104	777	881	33	203	521	635	311		2,604
	1950 - III	126	647	773	59	152	580	689	340		2,513
Services (net)	1949 - III	+ 22	+ 5	+ 27	- 13	- 39	+ 27	- 101	- 59	- 4	- 162
	1950 - II	+ 89	+ 64	+ 153	- 4	- 33	- 90	- 145	- 58	- 24	- 201
	1950 - III	+ 54	+ 82	+ 136	- 7	- 48	+ 31	- 162	- 26	+ 2	- 74
B. Private donations and capital movements (total)	1949 - III	44	46	90	+ 11	+ 27	+ 85	+ 44	- 3	- 157	97
	1950 - II	- 10	55	45	+ 6	+ 27	- 69	+ 35	+ 34	- 55	- 23
	1950 - III	+ 60	28	88	- 5	+ 15	+ 279	+ 62	+ 33	- 6	466
Private donations	1949 - III	+ 6	+ 76	+ 82	-	+ 2	+ 3	+ 4	+ 21	- 2	+ 112
	1950 - II	+ 5	+ 75	+ 80	-	+ 5	- 1	+ 4	+ 22	+ 3	+ 113
	1950 - III		+ 57	+ 62	-	+ 6	- 2	+ 8	+ 18		+ 95
Private United States capital	1949 - III	+ 48	- 32	16	+ 11	+ 25	+ 90	+ 42	- 30	- 1	+ 154
	1950 - II	+ 18	- 8	+ 26	+ 16	+ 22	+ 16	+ 48	- 4	- 1	+ 113
	1950 - III	+ 69	+ 137	+ 206	- 5	+ 9	+ 368	+ 51	+ 16	- 1	+ 644
Foreign long-term capital <sup>d</sup>	1949 - III	- 10	+ 2	- 8	-	-	- 8	- 2	+ 6	- 157	169
	1950 - II	- 34	- 28	- 62	-	-	- 84	- 17	+ 16	- 56	- 203
	1950 - III	- 14	- 166	- 180	-	-	- 87	+ 3	- 1	- 8	- 273
C. Surplus or deficit on goods and services, private donations and capital (A + B)	1949 - III	- 28	- 548	576	- 16	- 102	+ 10	- 100	- 309	- 149	- 1,242
	1950 - II	+ 47	- 428	381	+ 14	+ 84	- 205	- 109	- 111	- 80	- 788
	1950 - III	+ 89	- 251	162	+ 1	+ 131	+ 309	+ 130	- 22	+ 8	+ 395
D. Official financing (total)	1949 - III	+ 498	+ 821	+ 1,319	+ 7	+ 28	- 46	- 59	+ 306	+ 183	+ 1,738
	1950 - II	- 44	+ 537	493	- 10	+ 5	+ 29	+ 35	+ 80	+ 74	+ 706
	1950 - III	- 45	+ 366	321	+ 1	-	- 489	- 218	- 15	+ 25	- 376
United States Government grants and credits	1949 - III	+ 263	+ 864	+ 1,127	-	+ 1	+ 2	+ 24	+ 285	+ 30	+ 1,469
	1950 - II	+ 218	+ 748	+ 966	+ 3	+ 3	+ 2	+ 11	+ 160	+ 31	+ 1,470
	1950 - III	+ 120	+ 613	+ 733	-	-	+ 3	-	+ 166	+ 28	+ 935
Foreign short-term balances in the United States	1949 - III	- 49	+ 90	+ 41	+ 13	- 22	- 50	+ 4	+ 23	+ 169	+ 178
	1950 - II	- 262	+ 188	450	+ 9	- 8	+ 26	+ 24	- 75	+ 57	+ 435
	1950 - III	+ 415	- 177	+ 238	- 1	-	- 503	- 164	- 152	+ 11	- 571
Monetary gold movements	1949 - III	+ 284	- 133	+ 151	- 6	+ 49	+ 2	- 87	- 2	- 16	91
	1950 - II	-	- 23	+ 23	- 1	+ 10	+ 11	-	- 5	- 11	+ 29
	1950 - III	- 580	- 70	- 650	- 1	-	+ 11	- 54	- 29	- 17	- 740
E. Errors, omissions and multilateral settlements	1949 - III	- 470	- 273	743	+ 9	+ 74	+ 36	+ 159	+ 3	- 34	- 496
	1950 - II	- 3	- 109	112	- 4	- 89	+ 176	+ 74	+ 31	+ 6	- 82
	1950 - III	- 44	- 115	159	- 2	- 130	+ 180	+ 88	+ 37	- 33	- 19

Sources: Rearranged from *Survey of Current Business*, United States Department of Commerce, June 1950, and from data for the second and third quarters of 1950 furnished directly by the International Economics Division, United States Department of Commerce.

NOTE. — The signs are reversed as compared with the original source in order to present the data from the standpoint of Europe and other areas specified rather than from that of the United States. Figures for the second quarter 1950 are revisions of data published in the previous issue of this

Bulletin; those for the third quarter 1950 are provisional. For further details, see "Notes to the Statistics."

<sup>a</sup> Excluding those of the United Kingdom and Spain.

<sup>b</sup> Including the dependent overseas territories of the United Kingdom.

<sup>c</sup> Including the dependent overseas territories of Spain.

<sup>d</sup> Official and private.

Table XVII

INDEX NUMBERS OF PRICES OR AVERAGE UNIT VALUES OF IMPORTS AND EXPORTS

Third quarter 1949 = 100

Country	In national currencies													In U.S. dollars		
	1949				1950									1950		
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	First quarter	Second quarter	Third quarter
<i>Prices :</i>																
United Kingdom																
Imports . . . .	99	106	108	110	112	113	115	118	119	119	121	122	123	79	82	85
Exports . . . .	100	100	101	102	103	103	104	104	105	105	107	107	107	72	73	74
Switzerland																
Imports . . . .	98	93	92	91	90	91	91	90	87	88	89	88	89	91	88	89
Exports . . . .	99	95	95	94	93	92	94	91	96	97	91	95	93	93	94	93
Denmark																
Imports . . . .	101	101	102	103	110	111	112	113	113	113	115	118	122	77	79	82
Exports . . . .	100	96	96	96	94	94	93	93	93	93	94	94	95	65	65	66
Sweden																
Imports . . . .	103	117	118	119	120	120	119	119	119	120	123	127	132	83	83	89
Exports . . . .	100	106	108	110	114	115	116	118	120	126	132	137	142	80	84	95
Finland <sup>a</sup>																
Imports . . . .	113	115	119	120	122	123	131	135	133	134	137	139	..	74	79	81 <sup>b</sup>
Exports . . . .	103	100	101	101	109	110	110	113	113	114	..	..	..	65	67	..
<i>Average unit values :</i>																
France																
Imports . . . .	101	100	107	108	107	119	118	116	118	125	..	..	..	89	93	..
Exports . . . .	101	98	102	104	104	110	106	105	102	103	..	..	..	83	80	..
Belgium																
Imports . . . .	101	98	96	99	99	100	101	102	99	106	103	102	108	88	90	92
Exports . . . .	97	96	94	93	89	89	85	86	87	88	89	89	94	77	76	79
Netherlands																
Imports . . . .	99	103	108	111	108	115	114	114	116	119	117	116	117	78	81	81
Exports . . . .	97	104	103	109	114	114	112	114	110	110	102	102	100	79	78	71
Italy																
Imports . . . .	99	96	96	95	95	94	92	91	93	94	..	..	..	86	85	..
Exports . . . .	98	97	98	99	100	106	98	101	98	94	..	..	..	93	90	..
Norway																
Imports . . . .	100	103	108	115	117	113	114	121	117	117	117	122	120	80	82	83
Exports . . . .	99	102	105	98	98	102	105	101	104	107	107	114	116	71	72	78
Germany : western zones <sup>c</sup>																
Imports . . . .	100	114	103	106	109	107	106	108	107	107	108	104	110	85	85	85
Exports . . . .	95	98	95	91	93	91	88	87	90	92	90	92	92	72	71	72
Austria																
Imports . . . .	98	103	104	118	138	159	157	157	164	170	156	155	168	71	77	75
Exports . . . .	102	108	108	127	135	137	137	134	140	141	143	157	138	64	65	69

<sup>a</sup> Second quarter 1949 = 100.  
<sup>b</sup> Average of two months only.

<sup>c</sup> The index for the third quarter 1949 has been estimated for the three western zones on the basis of the index for the U.K./U.S. Zone.

**Table XVIII**  
**INDEX NUMBERS OF THE VOLUME OF IMPORTS AND EXPORTS OF EUROPEAN COUNTRIES**

1938 = 100

Country	IMPORTS					EXPORTS																		
	1938 (millions of dollars, c.i.f.)	1948		1949		1950		1938 (millions of dollars, f.o.b.)	1948		1949		1950											
		1st qtr.	2nd -qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.		3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.							
United Kingdom . . . . .	4,161	80	81	82	80	82	88	91	88	85	94	77	2,291	126	134	139	147	156	146	142	159	170	166	175
Ireland . . . . .	202	140	139	107	124	122	126	121	138	137	142	128	118	62	58	76	86	77	82	93	103	84	87	117
France . . . . .	1,322	88	111	105	107	106	107	98	102	114	107	89	863	69	107	94	106	127	137	120	147	150	160	158
Netherlands . . . . .	774	78	85	86	89	95	93	90	99	122*	129	122	579	48	63	64	81	85	83	95	122	107	116	142
Belgium-Luxembourg . . . . .	765	..	..	..	..	96	98	96	111	107	105*	102	721	..	..	..	..	100	103	97	89	107	99	85
Switzerland . . . . .	363	165	158	128	135	121	112	107	135	119	126	160	301	106	124	121	152	114	120	124	143	114	125	143
Italy . . . . .	586	..	..	..	..	120	137	119	95	128	130	..	549	..	..	..	..	81	79	88	92	91	99	..
Turkey . . . . .	119	101	93	125	122	111	106	135	149	114	150	..	122	71	69	59	175	126	118	62	174	113	94	..
Denmark . . . . .	354	68	80	87	99	109	113	98	109	136	125	135	335	73	64	67	81	83	91	87	112	102	112	127
Sweden . . . . .	523	101	116	109	98	89	86	89	95	97	111	117	463	67	91	95	106	80	101	106	123	114	128	131
Norway . . . . .	293	81	97	95	127	109	124	110	124	132	129	101	193	83	88	72	82	90	86	73	87	111	107	112
Finland <sup>a</sup> . . . . .	183	56	95	85	102	65	77	77	93	77	92	76	181	38	63	84	76	45	65	89	109	57	98	107
Germany : U.K./U.S. Zone western zones . . . . .	1,340	31	52	66	55	61	80	79	102	..	..	..	1,230	14	19	26	31	34	39	43	53	..	..	..
Austria <sup>b</sup> . . . . .	1,607	..	..	..	..	..	..	..	96	91	81	102	1,469	..	..	..	..	..	..	..	52	68	82	99
Poland . . . . .	289	37	45	53	57	65	77	81	92	84	76	67	171	42	55	63	71	73	77	68	73	81	100	104
Czechoslovakia . . . . .	247	145	148	124	129	129	148	164	204	..	..	..	223	76	92	104	127	95	94	106	121	..	..	..
.. . . .	292	121	112	99	101	95	132	121	120	..	..	..	358	67	79	72	95	75	90	83	110	..	..	..
Total <sup>c</sup> . . . . .	12,194	84	92	90	91	90	97	95	102	103	103*	99	9,013	74	87	89	102	99	101	100	116	117	123*	131

<sup>a</sup> For comparability with other countries, the seasonal adjustment in the official Finnish index has been eliminated.

<sup>b</sup> Excluding non-commercial imports.

<sup>c</sup> The totals are based on data for the countries listed in the table (including western zones of

Germany only) and on estimates for Iceland and Portugal. Although it covers 90 per cent of the total trade of Europe in 1949, this sample is not quite representative for Europe as a whole since the volume of trade compared with pre-war for the countries not included in the sample is different from that of the countries included in the sample.

Table XIX

## IMPORTS AND EXPORTS OF TEN EUROPEAN COUNTRIES ACCORDING TO AREAS OF ORIGIN AND DESTINATION

Millions of dollars in current prices; imports c.i.f.; exports f.o.b.

Area of origin for imports and area of destination for exports ↓	Year and quarter	United Kingdom		France		Netherlands		Belgium-Luxembourg		Switzerland		Italy		Denmark		Sweden		Norway		Germany : western zones <sup>a</sup>		Total of ten countries		
		Imports <sup>b</sup>	Exports	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imports	Exports	
I. United Kingdom, Ireland and Iceland	1949—II	63.0	83.6	28.4	70.0	53.0	60.7	39.9	61.2	16.6	9.7	15.9	23.5	68.0	86.6	48.7	57.6	43.4	20.8	11.2	21.3	388.1	495.0	
	III	62.3	71.8	25.4	62.4	54.7	69.5	39.2	42.2	14.9	10.5	10.9	38.9	59.3	95.5	49.1	62.9	46.0	18.1	18.9	28.9	380.7	500.7	
	IV	49.9	60.0	30.9	57.2	37.7	45.1	41.4	28.0	17.6	10.8	15.2	27.9	59.4	62.3	43.9	40.1	37.2	12.4	18.0	24.0	351.2	367.8	
	1950—I	39.3	66.2	27.8	68.5	47.0	44.4	42.7	25.3	20.6	7.9	22.8	27.1	73.1 <sup>a</sup>	57.3	47.0	32.4	51.0	18.3	23.2	20.0	394.5 <sup>a</sup>	361.4	
II. Western European industrial countries (France, Netherlands, Belgium-Luxembourg, Switzerland)	1949—II	40.0	60.2	30.7	68.6	55.2	48.0	46.5	31.1	19.7	7.3	20.2	34.0	61.4 <sup>a</sup>	78.7	59.8	42.9	35.8	18.3	21.4	19.9	390.7 <sup>a</sup>	409.0	
	III	47.9	59.2	25.3	67.0	50.7	59.3	42.6	30.6	21.2	8.9	19.8	42.2	67.7	73.7	60.5	40.0	31.2	16.0	28.3	24.0	395.2	420.9	
	1949—II	210.3	133.5	52.0	104.1	110.4	63.0	104.4	115.1	41.5	40.7	40.2	40.2	31.1	17.3	53.6	46.7	38.4	13.2	68.0	120.4	749.9	694.2	
	III	200.7	127.4	71.3	89.0	99.3	82.7	105.3	108.7	38.1	43.7	43.4	42.2	23.8	18.7	56.8	49.5	29.7	13.9	96.4 <sup>a</sup>	109.8	764.8	685.6	
III. Mediterranean and Iberian countries (Italy, Greece, Spain, Portugal, Turkey and miscellaneous continental and non-continental European countries and territories)	1949—II	131.6	139.4	85.0	93.7	121.3	70.3	109.4	149.6	39.5	41.5	49.9	56.8	33.2 <sup>a</sup>	16.8	39.0	33.0	27.4	12.1	147.6	147.9	710.7	669.1	
	III	169.6	128.6	73.8	97.8	122.9	61.3	107.1	143.0	40.4	42.9	46.9	56.4	33.8 <sup>a</sup>	11.3	46.0	38.6	26.1	10.5	137.1	169.1	803.7 <sup>a</sup>	759.5	
	IV	179.4	135.7	54.3	110.1	114.7	68.9	115.8	125.9	63.5	42.2	35.2	52.3	34.9	11.3	44.5	40.3	17.9	10.0	181.0	187.2	841.2	783.9	
	1950—I	70.2	62.9	25.9	36.7	8.4	11.0	13.0	20.6	24.9	42.6	6.8	14.9	7.7	4.8	9.7	12.8	4.6	8.5	38.0	64.7	209.2	279.5	
IV. Scandinavian countries (Denmark, Sweden, Norway, Finland)	1949—II	197.0	153.0	29.5	40.1	22.3	31.4	37.7	53.0	6.8	10.6	14.4	16.9	30.4	21.2	26.4	51.9	38.6	24.3	42.0	27.4	445.1	429.8	
	III	235.4	144.3	26.6	43.1	38.5	28.7	30.0	47.4	7.0	8.9	15.2	14.5	33.1	20.2	21.4	45.8	33.5	17.1	45.2	30.6	485.9	400.6	
	IV	148.0	132.8	35.5	33.6	32.1	31.5	23.4	30.8	11.3	7.0	10.2	13.7	23.1	25.8	22.9	40.3	33.3	13.6	45.8	25.0	385.6	354.1	
	1950—I	135.4	151.4	32.9	43.6	26.2	26.0	17.0	25.1	7.8	8.2	16.5	19.5	21.8	18.3	15.1	42.7	31.4	14.9	75.9	39.4	380.0	389.1	
V. Germany and Austria	1949—II	177.4	152.6	23.6	50.3	27.8	26.8	18.9	23.5	6.3	7.6	14.4	17.0	31.5	15.2	19.5	48.6	33.6	16.8	59.8	48.1	412.8	406.5	
	III	172.2	144.0	23.2	37.3	39.3	33.6	17.8	16.8	10.0	8.9	12.5	10.2	38.6	19.7	24.6	41.3	26.5	15.5	99.1	72.0	463.8	399.3	
	1949—II	41.4	27.9	64.9	41.8	39.4	29.2	35.5	63.0	22.4	19.3	25.4	36.7	10.9	16.0	22.0	19.9	7.9	10.2	4.0	16.0	273.8	280.0	
	III	48.2	29.0	66.9	38.8	36.0	31.4	27.8	58.0	22.0	21.3	26.2	23.0	10.9	14.5	29.2	25.2	8.4	3.3	2.9	16.1	280.5	260.6	
VI. Eastern European countries (Czechoslovakia, Poland, Rumania, Hungary, Yugoslavia, Bulgaria)	1949—II	26.1	27.6	54.0	35.5	26.0	59.9	28.6	33.7	23.7	34.9	24.5	36.6	10.5	24.7	18.6	26.9	6.6	5.6	3.0	17.2	221.6	302.6	
	III	34.2	34.2	54.0	47.7	49.9	66.7	34.6	33.4	20.9	23.3	34.9	29.4	14.6	25.9	28.0	32.5	9.7	9.3	6.2	18.1	281.5	320.5	
	IV	32.6	29.0	50.7	48.8	76.4	72.2	37.5	22.4	27.0	18.8	44.4	29.3	18.6	21.7	28.3	32.6	8.2	10.1	8.5	15.9	332.2	300.8	
	1950—I	35.0	35.0	48.4	70.7	71.9	74.7	41.5	31.0	37.5	26.5	38.4	36.8	33.5	38.0	38.3	44.6	7.0	18.8	11.0	18.0	362.5	394.1	
VII. Union of Soviet Socialist Republics	1949—II	35.8	26.5	18.1	20.7	29.3	22.8	7.1	22.3	13.4	13.6	20.9	18.6	16.6	10.7	23.3	23.1	7.1	8.8	24.8	7.9	196.4	175.0	
	III	38.2	24.9	12.8	20.6	19.5	18.6	10.1	19.4	11.1	15.4	20.0	15.8	13.5	6.5	13.7	17.0	7.3	7.1	16.5	12.4	162.7	157.7	
	IV	27.3	18.1	18.7	13.8	16.0	8.6	8.0	10.7	12.0	18.3	11.1	16.1	5.9	2.6	18.5	12.2	7.6	3.7	34.0	24.4	159.1	128.5	
	1950—I	32.6	14.4	13.0	12.8	12.8	7.0	6.9	11.2	11.3	11.6	15.0	15.9	12.6	5.4	16.8	13.0	7.3	4.6	19.3	25.6	147.6	121.5	
VIII. Union of Soviet Socialist Republics	1949—II	26.9	12.0	7.4	10.3	10.8	9.0	7.5	10.5	10.0	12.3	14.4	15.2	6.2	2.6	14.0	13.2	3.9	4.0	17.1	31.9	118.2	121.0	
	III	25.8	16.0	4.7	8.4	7.7	6.8	5.3	10.6	11.5	14.9	11.8	12.3	9.5	4.1	18.9	13.8	4.0	2.8	23.6	27.1	122.8	116.8	
	1949—II	4.4	10.5	1.8	—	10.1	1.9	1.8	8.2	0.6	1.0	0.3	2.0	0.4	4.0	0.3	6.0	8.0	6.2	0.6	—	—	28.3	39.8
	III	9.2	8.4	1.0	0.2	8.6	1.3	1.5	6.5	0.8	0.8	7.9	3.7	1.6	2.0	1.1	5.7	7.9	5.5	0.1	—	—	39.7	34.1
IX. Union of Soviet Socialist Republics	1949—II	29.1	4.4	0.5	—	2.0	0.3	1.1	4.9	0.6	1.4	8.0	8.1	0.3	1.9	0.8	4.5	5.3	6.2	—	—	—	47.7	31.7
	III	19.9	12.2	1.0	0.1	1.0	0.1	2.0	3.6	0.5	0.7	5.2	6.5	0.8	—	0.3	3.7	1.7	2.0	0.1	—	—	32.5	28.9
	IV	22.4	5.5	1.6	0.9	1.2	—	1.7	6.1	0.3	0.8	1.8	6.2	0.7	0.1	0.8	4.7	3.2	2.2	—	—	—	33.7	26.5
	1950—I	26.4	7.3	0.7	0.9	0.1	—	2.3	5.4	0.7	1.2	1.4	2.0	0.9	0.4	2.4	7.2	2.4	1.1	—	—	—	37.3	28.9
X. Union of Soviet Socialist Republics	1949—II	617.4	513.0	235.3	321.5	277.7	221.8	241.7	355.8	121.5	117.6	124.6	148.3	166.5	160.8	188.9	221.3	152.1	88.1	203.4	218.6	2,329.1	2,366.8	
	III	674.1	477.0	228.6	287.3	270.0	249.8	228.6	309.5	112.5	122.2	128.2	149.1	151.1	161.3	182.3	225.3	138.0	69.9	206.9	224.5	2,320.3	2,275.9	
	IV	674.1	477.0	228.6	287.3	270.0	249.8	228.6	309.5	112.5	122.2	128.2	149.1	151.1	161.3	182.3	225.3	138.0	69.9	206.9	224.5	2,320.3	2,275.9	
	1950—I	674.1	477.0	228.6	287.3	270.0	249.8	228.6	309.5	112.5	122.2	128.2	149.1	151.1	161.3	182.3	225.3	138.0	69.9	206.9	224.5	2,320.3	2,275.9	





Table XX  
IMPORTS AND EXPORTS OF FOOD AND FEEDING-STUFFS

Thousands of tons

Note. — Data cover imports from all sources and exports to all destinations, both European and non-European, by the countries listed in footnote (b) below. Except as there indicated, trade of eastern European countries is not included because of the lack of data on a sufficiently regular and detailed basis. Figures for 1938 are shown both for Europe as a whole (including the U.S.S.R. and the Baltic States) and, to provide comparability, for the countries covered by the post-war figures.

NINETEEN EUROPEAN COUNTRIES <i>b</i>												
TOTAL EUROPE		1938		1948		1949		1950				
Commodity group <i>a</i>	Quarterly average	Quarterly average	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
<i>Bread grain</i>												
European imports	3,381	3,337	5,063	5,070	4,079	3,453	4,718	4,170	3,834	2,931*	3,251*	2,866
of which		1,413	1,378	1,412	1,354	1,274	1,636	1,408	1,293	813	1,142	793
United Kingdom		349	670	1,583	838	446	692	941	1,231	607	327	417
Germany <i>b</i>		85	870	353	494	396	813	385	186	299	264	274
Italy		311	197	284	191	142	196	327	99	116	173	261
Belgium-Luxembourg		273	56	66	210	418	117	49	200	442	318	347
European exports	1,125											
<i>Coarse grain</i>												
European imports	3,060	3,054	1,928	1,590	2,012	2,576	1,933	1,647	2,242	2,767*	2,132*	1,371
of which		1,038	739	656	678	581	269	146	321	537	819	387
United Kingdom		640	211	264	232	504	538	484	681	429*	189	88*
Germany <i>b</i>		284	46	95	227	255	196	196	271	319	219	147
Belgium-Luxembourg		199	218	198	115	366	295	114	197	372	223	110
France <i>b</i>		127	145	46	71	109	47	29	65	108*	80*	60
European exports	582											
<i>Sugar (raw equivalent)</i>												
European imports	1,166	1,155	1,423	1,330	1,219	770	1,145	1,259	1,116	845	1,352*	1,613
of which		761	810	652	564	448	776	737	644	492	670	820
United Kingdom		4	167	187	132	22	30	104	116	22	126	271
Germany <i>b</i>		50	76	105	37	45	58	121	28	22	133	107
Netherlands		80	15	86	221	58	55	40	117	96	121	56
France <i>b</i>												
European exports	363	332	420	243	482	317	323	266	643	471	422	470
of which United Kingdom		115	244	136	118	147	135	140	215	182	161	266
<i>Meat</i>												
European imports	530	530	322	394	315	275	350	424	417	485	420*	409
of which United Kingdom		421	250	294	221	206	283	335	326	402	340	310
European exports	201	138	37	46	60	60	66	82	130	118*	116*	146
of which		62	11	15	15	24	29	35	68	61	55*	74
Denmark		49	13	21	32	26	22	28	38	29	22	36
Ireland												
<i>Butter</i>												
European imports	144	144	97	78	74	107	110	93	85	139	117	102
of which United Kingdom		119	81	54	55	91	97	76	56	103	104	77
European exports	88	71	34	38	40	32	54	64	49	47	60	76
of which		39	28	29	27	24	40	41	33	30	47	44
Denmark		13	4	7	11	6	12	22	13	11	10	23
Netherlands												
<i>Cheese</i>												
European imports	58	58	45	46	53	69	88	92	45	67	69	80
of which United Kingdom		37	33	37	39	56	69	68	23	41	40	47
European exports	37	36	15	18	23	28	35	42	37	41	41	49
of which		15	7	7	8	14	14	20	14	13	15	24
Denmark		4	2	2	5	3	3	5	6	6	6	4
Netherlands												
European imports	102	102	60	54	54	69	61	59	69	90	129*	90
of which United Kingdom		65	42	41	39	62	48	46	50	47	87	51
European exports	84	60	27	20	17	38	45	32	37	62	69*	46
of which												
Denmark		24	10	10	9	25	20	17	19	29	24	19
Netherlands		24	10	10	9	25	20	17	12	29	24	19

of which Netherlands Denmark		102	102	102	60	42	54	41	54	23	18	7	15	2	30	14	2	28	14	35	42	37	41	40	47
European imports of which United Kingdom		84	102	60	24	27	42	20	41	17	7	2	62	27	10	10	54	69	38	45	59	69	50	47	50
European exports				60	24	27	42	20	41	17	7	2	62	27	10	10	54	69	38	45	59	69	50	47	50
of which Denmark				5	5	8	2	2	5	—	—	—	8	8	2	2	5	25	25	12	17	19	29	29	31
Ireland				22	22	5	5	5	5	—	—	—	5	5	5	5	5	4	4	6	6	11	17	17	17
Netherlands																									
Fish																									
European imports		249	218	57	78	241	193	260	303	210	194	244	220	145	128										
of which Germany <sup>b</sup>			47	38	71	71	38	48	113	69	53	54	59	24	15										
United Kingdom			25	19	17	19	19	34	26	20	26	18	49	32	25										
France <sup>b</sup>			19	16	16	14	14	31	21	13	15	31	25	12	13										
European exports		240	234	65	129	263	181	250	341	248	148	263	256	138	130										
of which Norway			24	49	45	45	41	57	171	110	30	57	110	46	44										
Iceland			24	24	24	24	24	24	39	36	42	47	33	16	13										
Denmark			14	14	14	14	14	14	33	33	24	37	35	22	24										
Netherlands			36	36	36	36	36	36	39	14	18	53	32	13	16										
Oil seeds																									
European imports		1,814	1,790	414	256	676	603	727	941	961	781	821	766*	780*	851										
of which United Kingdom			338	165	195	195	121	239	290	316	360	334	275	312	355										
France <sup>b</sup>			462	462	462	462	462	462	140	139	56	103	71	166	105										
Netherlands			183	183	183	183	183	183	97	103	71	89	86	100	108										
Belgium-Luxembourg			70	70	70	70	70	70	45	38	28	77	46	23	43										
European exports		64	17	2	10	10	22	51	24	22	17	16	18*	25*	30										
of which Turkey					6	6	20	41	11	17	15	10	6*	18*	23										
Animal and vegetable fats and oils																									
European imports		427	413	102	218	390	332	305	365	464	383	479	499	638*	536										
of which United Kingdom			100	36	36	218	32	113	149	197	167	188	125	306	160										
Germany <sup>b</sup>			24	24	24	10	5	15	40	99	44	72	133	111	178										
Italy			22	22	22	29	31	40	18	25	51	48	53	27	29										
France <sup>b</sup>			20	20	20	27	31	26	45	29	22	29	47	47	38										
Belgium-Luxembourg			20	20	20	27	31	26	20	24	24	43	28	36	28										
European exports		249	237	27	40	105	87	120	93	117	93	136	124*	131	188										
of which Norway			74	27	27	40	22	31	30	47	28	47	24	34	56										
Netherlands			12	12	12	9	15	9	14	19	24	24	37	21	21										
Belgium-Luxembourg						2	3		10	16	11	14	18	13	15										
Coffee																									
European imports		188	185	47	18	105	113	119	105	107	112	125	115	241*	119										
of which France <sup>b</sup>			13	13	23	23	20	26	21	19	24	27	33	35	39										
Belgium-Luxembourg			9	9	9	10	10	12	13	8	11	15	12	10	15										
Italy			4	4	10	13	13	11	13	7	9	14	7	14	8										
United Kingdom																									
Tea																									
European imports		66	62	52	37	37	44	73	65	40	50	86	55	26	46										
of which United Kingdom					31	31	41	64	56	35	44	77	48	20	37										
Tobacco																									
European imports		92	88	34	42	42	84	74	66	59	85	108	62	59	88										
of which Germany <sup>b</sup>			23	23	1	9	48	38	20	10	38	55	23	9	34										
United Kingdom			6	6	2	2	2	2	5	13	9	14	8	10	12										
France <sup>b</sup>			7	7	2	2	5	5	9	5	12	5	2	4	7										
Netherlands					2	2	3	3	6	7	5	10	6	8	7										
European exports		47	29	10	20	20	11	38	42	34	12	36	37*	21*	14										
of which Turkey			11	11	9	9	3	27	25	17	3	18	18*	6*	6										
Greece					5	5	1	3	5	9	1	7	8	5	1										

a For the composition of the commodity groups and information on conversion factors employed, see ECONOMIC SURVEY OF EUROPE IN 1949, Appendix B, page 260.

b The countries whose trade is included throughout the table are: United Kingdom, Iceland, Ireland, France, the Netherlands, Belgium-Luxembourg, Switzerland, Italy, Greece, Spain, Portugal, Turkey, Denmark, Sweden, Norway, Finland, Germany, Czechoslovakia, and Austria. In addition, Polish imports and exports are included in bread grain and sugar. The coverage for Sweden is incomplete, which, however, usually make up from 80 to 90 per cent of its total trade. For Germany, the 1938 data refer to the whole of the pre-war territory; the post-war figures refer to the U.K./U.S. Zone only up to the end of 1949 and thereafter to the three western zones. The Saar formed part of the German trade area in 1938, but beginning with the first quarter of 1948, its trade is included with that of France.

a For the composition of the commodity groups and information on conversion factors employed, see ECONOMIC SURVEY OF EUROPE IN 1949, Appendix B, page 260.

b The countries whose trade is included throughout the table are: United Kingdom, Iceland, Ireland, France, the Netherlands, Belgium-Luxembourg, Switzerland, Italy, Greece, Spain, Portugal, Turkey, Denmark, Sweden, Norway, Finland, Germany, Czechoslovakia, and Austria. In addition, Polish imports and exports are included in bread grain and sugar. The coverage for Sweden is incomplete,

NOTE. — Data cover imports from all sources and exports to all destinations, both European and non-European, by the countries listed in footnote (b) below. Except as there indicated, trade of eastern European countries is not included because of the lack of data on a sufficiently regular and detailed basis. Figures for 1938 are shown both for Europe as a whole (including the U.S.S.R. and the Baltic States) and, to provide comparability, for the countries covered by the post-war figures.

Commodity group <i>a</i>	TOTAL EUROPE		NINETEEN EUROPEAN COUNTRIES <i>b</i>														
	1938	Quarterly average	1938	Quarterly average	1938	Second quarter	Third quarter	Fourth quarter	1939	First quarter	Second quarter	Third quarter	Fourth quarter	1940	First quarter	Second quarter	Third quarter
<b>Coal, coke and patent fuel</b>																	
European imports of which	21,560	21,559	21,559	21,559	19,105	20,192	20,030	20,030	20,369	20,126	18,620	18,342	18,342	20,126*	20,126*	16,197*	17,430
France <i>b</i>		5,525	5,525	5,525	4,273	4,713	5,177	5,177	5,482	5,091	4,212	3,721	3,721	5,482	5,091	2,462	2,093
Italy		3,041	3,041	3,041	2,241	2,493	1,837	1,837	1,912	2,063	2,508	1,725	1,725	1,912	2,063	1,358	2,107
Austria		575	575	575	1,270	1,433	1,435	1,435	1,565	1,466	1,600	1,600	1,600	1,565	1,466	1,310	1,444
Sweden		1,933	1,933	1,933	2,050	1,894	1,607	1,607	1,793	1,225	1,124	1,821	1,821	1,793	1,225	1,381	1,874
European exports <i>c</i>	25,833	25,833	25,833	25,833	18,940	21,204	20,982	20,982	21,258	22,202	21,780	24,208	24,208	23,789*	23,789*	21,310*	23,428
of which Poland		2,987	2,987	2,987	7,590	8,140	7,971	7,971	8,461	8,593	7,591	7,651	7,651	8,461	8,593	7,800	7,000
Germany <i>b</i>		8,202	8,202	8,202	4,220	5,048	4,737	4,737	5,004	5,962	5,542	6,099	6,099	5,004	5,962	5,608	7,244
United Kingdom		9,699	9,699	9,699	4,483	5,219	5,298	5,298	4,771	4,733	5,364	7,503	7,503	4,771	4,733	5,209	4,864
<b>Mineral oil, crude and refined <i>d</i></b>																	
European imports of which	9,825	9,726	9,726	9,726	13,766*	13,332*	12,894*	12,894*	13,642*	14,345*	14,154*	14,829*	14,829*	14,814*	14,814*	17,330*	18,826
United Kingdom		3,179	3,179	3,179	5,223	5,432	4,479	4,479	5,132	4,716	4,517	4,330	4,330	4,677	4,677	5,337	5,007
France <i>b</i>		2,071	2,071	2,071	2,569	2,334	2,782	2,782	2,925	3,248	3,083	3,197	3,197	3,275	3,275	3,609	3,517
Netherlands		461	461	461	674	636	763	763	607	1,808	1,808	1,070	1,070	607	1,808	1,451	1,835
Italy		691	691	691	745	615	763	763	565	1,808	1,808	1,070	1,070	565	1,808	1,417	1,670
Germany <i>b</i>		1,347	1,347	1,347	443	367	540	540	467	642	636	592	592	467	642	723	810
European exports <i>c</i>	2,130	1,764	1,764	1,764	983	1,178	1,312	1,312	1,610	1,884	2,082	2,250	2,250	2,392*	2,392*	3,025*	4,201
of which France <i>b</i>		147	147	147	188	335	392	392	514	651	693	742	742	618	618	811	1,136
Netherlands		20	20	20	22	111	138	138	209	301	416	436	436	209	301	877*	1,422
<b>Steel, crude and finished</b>																	
European imports of which	1,243	1,074	1,074	1,074	1,183	1,157	1,147	1,147	1,256	1,370	1,362	1,103	1,103	1,244	1,244	1,409	1,318
United Kingdom		208	208	208	81	102	162	162	174	209	273	138	138	135	135	146	118
Netherlands		159	159	159	290	260	245	245	276	344	241	203	203	297	297	276	281
European exports of which	1,999	1,884	1,884	1,884	1,584	1,649	1,967	1,967	2,077	2,194	2,120	2,360	2,360	2,541	2,541	2,775*	2,493
Belgium-Luxembourg		550	550	550	785	811	977	977	990	993	864	717	717	808	808	783	688
France <i>b</i>		289	289	289	234	252	260	260	351	411	471	555	555	657	657	742	541
United Kingdom		325	325	325	372	387	459	459	455	462	453	520	520	572	572	623	625
Germany <i>b</i>		534	534	534	37	67	50	50	96	123	173	149	149	311	311	405	441
<b>Copper</b>																	
European imports of which	339	326	326	326	209	252	202	202	203	239	225	190	190	214*	214*	251*	202
United Kingdom		90	90	90	82	116	84	84	71	86	98	61	61	71	71	93	81
France <i>b</i>		28	28	28	20	32	32	32	31	37	40	36	36	41	41	24	15
Belgium-Luxembourg		57	57	57	46	42	34	34	36	50	33	42	42	39	39	53	38
European exports of which	55	47	47	47	39	44	46	46	53	57	68	53	53	57	57	68	66
Belgium-Luxembourg		40	40	40	22	27	27	27	31	37	42	25	25	32	32	34	30
<b>Timber (thousand m<sup>3</sup>)</b>																	
European imports of which	8,431	8,122	8,122	8,122	4,173	7,076	6,554	6,554	3,987	4,655	7,330	6,599	6,599	3,580	3,580	4,564*	7,621
United Kingdom		3,373	3,373	3,373	1,400	2,891	2,585	2,585	1,428	1,599	3,230	2,821	2,821	1,278	1,278	1,387	2,781
France <i>b</i>		361	361	361	1,168	1,410	1,255	1,255	840	961	2,883	2,659	2,659	329	329	205	2,781
Netherlands		668	668	668	379	872	885	885	432	448	859	685	685	431	431	600	1,101
European exports of which	7,188	4,963	4,963	4,963	3,614	6,185	4,952	4,952	2,705	3,695	5,667	4,425	4,425	2,924*	2,924*	5,035*	7,773
Finland <i>b</i>		1,704	1,704	1,704	258	2,310	1,440	1,440	345	772	2,314	1,655	1,655	403	403	2,054	4,341
Sweden		1,030	1,030	1,030	328	1,017	1,040	1,040	338	653	1,432	1,181	1,181	526	526	913	1,272
<b>Wood-pulp</b>																	
European imports of which	752	737	737	737	613	651	659	659	609	689	729	734	734	730	730	873*	771
United Kingdom		431	431	431	328	348	324	324	280	354	376	331	331	302	302	420	379
France <i>b</i>		93	93	93	63	99	65	65	72	103	82	112	112	119	119	162	102
Italy		67	67	67	22	19	28	28	22	33	49	47	47	92	92	54	37
European exports of which	1,296	1,257	1,257	1,257	868	718	790	790	604	820	810	1,143	1,143	874	874	1,137	944
Finland <i>b</i>		413	413	413	184	644	57	57	103	205	212	215	215	37	37	28	33
Sweden		248	248	248	183	158	201	201	210	205	212	215	215	233	233	244	225
Finland <i>b</i>		41	41	41	50	35	54	54	82	84	88	95	95	97	97	101	93
Finland <i>b</i>		41	41	41	50	35	54	54	82	84	88	95	95	97	97	101	93
Finland <i>b</i>		41	41	41	50	35	54	54	82	84	88	95	95	97	97	101	93



Italy . . . . .	1,296	67	22	868	719	799	28	72	829	818	49	112	119	102
European exports . . . . .		1,257	248	90	188	158	41	604	210	205	212	215	233	244
of which . . . . .														
United Kingdom . . . . .	249	113	38	38	38	38	38	43	43	43	43	43	43	43
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Sweden . . . . .														
Norway . . . . .														
Raw wool														
European imports . . . . .	255	244	77	69	52	46	51	218	248	232	197	244*	259*	195
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Raw cotton														
European imports . . . . .	506	478	139	120	67	109	52	445	481	362	363	504	473*	424
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Wool yarn														
European imports . . . . .	9.8	8.4	1.8	7.3	5.8	6.5	2.2	6.3	6.5	7.5	10.4	12.4	10.8*	11.4
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
European exports . . . . .	10.2	9.8	3.9	9.4	9.8	11.5	2.6	10.2	10.5	11.3	13.3	15.1*	14.7	13.3
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Cotton yarn														
European imports . . . . .	25.0	16.4	5.4	9.7	10.1	11.3	0.2	10.0	11.1	12.8	17.5	22.9	18.6	17.7
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
European exports . . . . .	34.4	34.0	13.9	11.5	21.2	25.8	7.3	25.9	29.4	26.2	27.4	27.0	24.1*	21.1
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Artificial yarn and fibres														
European imports . . . . .	10.9	9.3	3.7	7.8	8.3	8.7	1.6	11.2	11.3	9.5	10.1	12.5*	12.1*	14.8
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
European exports . . . . .	20.4	20.3	9.8	30.9	35.1	30.7	7.5	31.9	25.4	24.0	32.5	33.4	44.5	47.9
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Cotton tissue														
European imports . . . . .	..	6.5	74.1	10.7	13.7	15.7	47.8	62.3	60.3	59.6	57.7	61.6	56.2	57.3
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Belgium-Luxembourg . . . . .														
Hides and skins														
European imports . . . . .	148	134	24	107	107	87	28	117	129	101	101	125*	129*	104
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														
Rubber														
European imports . . . . .	112	109	35	134	155	109	25	136	128	133	136	156	143	148
of which . . . . .														
United Kingdom . . . . .														
France . . . . .														
Germany . . . . .														

a For the composition of the commodity groups and information on conversion factors employed, see ECONOMIC SURVEY OF EUROPE IN 1949, Appendix B, page 260.

b The countries whose trade is included throughout the table are: United Kingdom, Ireland, France, the Netherlands, Belgium-Luxembourg, Switzerland, Italy, Greece, Spain, Portugal, Turkey, Denmark, Sweden, Norway, Finland, Germany, Czechoslovakia, and Austria. In addition, the figures for coal and coke include the trade of all other European countries (including the U.S.S.R.); the figures for mineral oil include the trade of Poland, Hungary, Rumania and Yugoslavia; and the figures for timber, wood-pulp, raw wool, raw cotton, hides and skins and rubber include the trade of Poland. The coverage for Sweden is incomplete, the published monthly trade returns giving only the most important items in each commodity group, which, however, usually make up from 80 to 90 per cent of its total trade.

c Including bunkers.

d Crude equivalent.

e Figures for 1949 and 1950 include data for the three western zones of Germany.

f Totals cover only countries for which export figures are shown separately plus Sweden.



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## NOTES TO THE STATISTICS

### 1. GENERAL

The statistical series contained in the section "European Economic Statistics" are generally a continuation of those published in the *Economic Survey of Europe in 1949*, and in Volume 2, Numbers 1 and 2, of the *Economic Bulletin for Europe*. The sources and methods used in their compilation were described in detail in the SURVEY, and notes on certain amendments were included in the issues of the *Bulletin* mentioned above. The present notes give only a brief general description of the coverage and nature of the statistical series, and details of sources and methods are given only for series which appear for the first time in this issue of the *Bulletin* or where revised or additional data have been introduced.

The tables include information received up to 15 December. In general, the most recent figures are to be regarded as provisional and subject to later revision. In some cases the figures differ from those given in the preceding issues of this *Bulletin*, as they have since been revised and brought up to date.

Slight discrepancies between constituent items and the totals as shown in the tables are due to rounding.

### 2. INDEX NUMBERS OF INDUSTRIAL PRODUCTION (Tables I to V)

The index numbers for most countries are based on pre-war weights, and therefore do not take into account changes in the price structure compared with pre-war. In cases where, as for the United Kingdom, two pre-war links are available, one based on pre-war weights, one on post-war weights, the index based on pre-war weights has been chosen for reasons of comparability with other countries. It is likely that, if post-war weights could be used for all countries, the index numbers would be considerably lower. In the case of the United Kingdom, the general index of industrial production for 1949 would be 129 (1938 = 100).

Although the methods used in computing production indices differ from country to country, the most common method is that of weighting indices of physical output (gross output) for individual industries according to their net production value. The main exception is the index for the Soviet Union, which is essentially an index of gross production.

Although, in principle, index numbers adjusted for the different number of working days in each month have been used, lack of such data for some countries necessitated the inclusion for these countries of unadjusted indices. The effect of this on the European average is estimated at less than one point.

The index numbers for Poland relate post-war production in post-war territory to pre-war production in pre-war territory. The European totals, however, refer to constant (post-war) territories for both pre-war and post-war years.

The coverage of the index numbers is as follows :

#### *General Index*

The indices generally include manufacturing, mining and gas, water and electricity supply, but exclude building. The food industries, however, are not included in the index numbers for Germany, nor in the quarterly indices for France and Spain.

#### *Engineering Industry*

The indices include, as far as possible, mechanical and electrical engineering, transport equipment (including ships and aircraft) and metal goods.

#### *Chemicals*

The index numbers shown are those described as covering "chemicals" in the sources, although the definition of the industries varies between countries. In so far as possible, the production of vegetable oils and soap has been included in cases where the official index does not cover these activities.

#### *Textiles*

The index numbers shown are those described as covering "textiles" in the sources. Clothing is not included, except in cases where this industry could not be separated from the index.

#### *Building Materials*

The indices generally include production of bricks, tiles, cement, glass, ceramics and other non-metallic mineral products.

### REVISIONS AND ADDITIONS

*Czechoslovakia* : The new index of industrial production relating current output to that in 1948 has been published in *Hospodar* and has been used by the Czechoslovak authorities in place of the old index based on 1937 for the period from 1948 onwards (see, for instance, *Hospodar*, 23 November 1950). There is some difficulty in linking the quarterly figures in the two indices. The new index is stated to "show the rising trend in production in comparison with the position in 1948" (*Czechoslovak Economic Bulletin*, 15 October 1950). On the basis of a comparison of the annual figures and the figures available for the first three quarters 1949, it appears that the new index must relate production in each quarter

to that of the corresponding quarter in 1948 rather than to the monthly average of 1948. These percentage increases have therefore been applied to the old index in the various quarters of 1948 so as to arrive at index numbers for 1949 and 1950 (1937 = 100). The figures have then been shifted to the base 1948 = 100.

*Finland*: *Economic Review*, Kansallis-Osake-Pankki, Helsinki, No. 4, 1950, publishes the new monthly index of industrial production calculated by the State Statistical Office, which has been used instead of the preceding index calculated by the Kansallis-Osake-Pankki.

*Italy*: A revised series has been used which was published recently in *Notiziario Istat*, Serie B, Istituto Centrale di Statistica. The general index covers food processing and engineering in addition to the activities already included in the former index.

*Portugal*: An index has been calculated on the basis of production data in physical terms published in *Boletim Mensal de Instituto Nacional de Estatistica* covering mining, food, leather, cork, chemicals, building materials, textiles, paper and electricity. The weights used to combine the series are based on employment statistics given in the 1940 census and on figures of wages in 1948. The coverage of the quarterly index is somewhat smaller than that of the annual index.

*Turkey*: *Konjonktür*, Ministry of Economic Affairs, Ankara.

### 3. EMPLOYMENT (Table VI)

The indices include both wage and salary earners and manufacturing (excluding building), mining, gas, water and electricity supply. Figures for Belgium, Denmark and Poland include wage earners only; those for Czechoslovakia and the United Kingdom include employers and managers as well.

The index numbers for Poland relate post-war employment in the post-war territory to pre-war employment in the pre-war territory. The European totals, however, refer to constant (post-war) territories for both pre-war and post-war years.

### 4. PRODUCTION OF MAJOR COMMODITIES (Tables VII to XII)

The coverage of the figures is as follows:

#### *Coal*

The figures relate to the net pit-head production of coal (clean coal raised to the surface). Lignite is not included.

#### *Electric Power*

The figures relate to the total production of electric power unless otherwise stated in the footnotes to the table.

#### *Crude Steel*

The figures relate to the total production of steel ingots and direct castings including special alloy steels, whether for use by the maker or for sale. Wrought (puddled) iron is excluded.

#### *Cement*

The figures relate to the production of artificial cements (including Portland cement) and natural cement unless otherwise indicated.

#### *Motor Vehicles*

The figures relate to total production of motor vehicles, both for export and the domestic market, and include production of foreign-owned companies operating within the territory of the reporting country. The production of completed vehicles built on imported chassis is excluded. Taxis are included in the figures for passenger cars, but vehicles intended for common carriers (buses, coaches) are excluded. "Commercial vehicles" includes all lorries, motor coaches, etc., and special vehicles such as ambulances and fire engines.

#### *Livestock Produce*

The coverage of the figures is given in the footnotes to the table.

### 5. PRICES (Tables XIII and XIV)

#### *Wholesale prices*

Although, in principle, the indices shown include raw materials, semi-finished products and finished products, both home produced and of foreign origin, in many instances finished manufactures are not adequately represented. Some indices, moreover, probably do not fully reflect the influence of price movements of imported materials. The index numbers should therefore be used with caution.

### *Cost of living*

The index numbers for most of the countries shown reflect the movements of the expenditure on a fixed sample of consumers' goods. This sample generally represents the amount of goods (and services) consumed by a working-class family at a given date. The indices therefore are not necessarily representative of the movements of the cost of living of the population as a whole, neither are they fitted for inter-country comparisons. In some cases it is likely that services are not adequately represented.

### 6. RETAIL SALES (Table XV)

The indices shown generally refer to a sample of all retail trade. Unless otherwise indicated, they include department stores, co-operatives and individual traders.

### 7. BALANCE OF PAYMENTS (Table XVI)

The tables follow as closely as possible the "compensatory official financing" concept used by the International Monetary Fund. An explanation of this concept is given in *Balance of Payments Yearbook, 1948*, International Monetary Fund, pages 22-25. Full comparability, however, cannot be achieved, as the original sources do not permit an exact separation of transactions classifiable as compensatory official financing.

All signs in the tables are reversed as compared with the original source in order to present the data from the standpoint of Europe and other areas specified rather than from that of the United States. A plus sign indicates a credit transaction (receipt by Europe and other areas) and a minus sign a debit transaction (payment by Europe and other areas). Thus, for instance, a plus sign indicates a withdrawal of funds from foreign dollar balances in the United States or the sale of gold to the United States, and a minus sign indicates the acquisition of such assets.

A minus figure in the last three rows of Table XVI represents an excess of (a) estimated dollar funds obtained from the United States (including receipts through drawings on dollar balances and sale of gold) over (b) the estimated amounts required for payments of all types to the United States. The difference indicates the net effect of (a) errors and omissions, and (b) dollar transfers to other areas. The final figures in the last three rows, under "total world", indicate the net effect of all errors and omissions in the global balance of payments estimates of the United States. If there were no such errors and omissions, all other entries in the rows would cancel out.

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# ECONOMIC BULLETIN FOR EUROPE

THIRD QUARTER, 1950

Vol. 2, No. 3

*Prepared by the*

RESEARCH AND PLANNING DIVISION  
ECONOMIC COMMISSION FOR EUROPE

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